Personal Property Appraisal and Assessment

North Carolina Department of Revenue

NCDOR

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"The power of taxing people and their property is essential to the very existence of government."

- James Madison, U.S. President

Preface

The goal of this course is to provide an overview of the listing, valuation, and assessment of personal property, while developing an understanding of taxation, as administered in the day-to-day operation of the local county tax office. This course satisfies one of the core educational requirements for county assessors and county appraisers, pursuant to North Carolina General Statutes (hereinafter G.S.) 105-294 and 105-296. It also qualifies for the necessary continuing education requirements to remain compliant as a county assessor or county appraiser.

This manual provides written support to the personal property appraisal and assessment course as it sets out to educate, equip, and provide instruction on the various aspects of personal property taxation. It was developed to deliver broad guidance in the appraisal of personal property, through use of generally accepted techniques and procedures. The merger of accounting principles and accepted appraisal practice convey a sound methodology for the mass appraisal of personal property. This manual should be used as a ready resource and reference book to provide direction in matters concerning personal property taxation.

Various classes of personal property are discussed in this manual. Despite being developed as a textbook for instructional purposes, it represents a convenient tool for use by the county appraiser in exercising sound appraisal judgment. However, it is not intended to cover every situation that may be encountered in the listing, valuation, and assessment of personal property.

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Introduction

Personal Property Taxation

The listing, appraisal, and assessment of personal property for ad valorem tax purposes is a complex process which can create major challenges in a county tax office. It must be carried out in a professional manner that promotes uniformity and equity amongst all taxpayers. Local county tax offices administer an ad valorem taxation program for all taxable personal property in their jurisdiction. An ad valorem tax is a tax levied on property in proportion to the value of the property. A tax liability to the owner of the property is calculated based on the value of the asset, which is then multiplied by the county tax rate in increments of $100 units of value.

Machinery Act

Subchapter II of Chapter 105 of the Revenue Laws of North Carolina, officially titled the Machinery Act, provides the framework for the listing, appraisal, and assessment of property and the levy and collection of taxes on property by counties and municipalities. It was the intent of the General Assembly to make the provisions of this subchapter uniformly applicable throughout the state. A general statute is a written law pertaining to all persons within the state. G.S. 105-273 provides definitions that can be used for additional clarification while administering the property tax system. Additional definitions may also be found encompassed within a particular statute. The case notes following the law entry also shed light on how the courts have interpreted the statute.

The Appraisal Profession

An appraisal is considered to be an opinion of value. The quality of the appraisal process determines how useful the opinion of value will be. Appraisal quality is not determined by any single factor, but will be determined by several factors, such as: the reliability of the data; the appraiser's ethics, experience and knowledge; and the accuracy of the calculations. The best data available given to an excellent appraiser will result in a poor appraisal if mathematical errors are not corrected. An appraiser can minimize errors by reviewing the report and by having peers review their appraisals.

County Appraisers

The North Carolina Department of Revenue (NCDOR) serves as a general oversight agency for the valuation and taxation of property by counties in North Carolina. In accordance with General Statutes 105-294 and 105-296, the Department administers the certification and continuing education program for county assessors and appraisers. After successful completion of this course and the University of North Carolina at Chapel Hill School of Government's (UNC SOG) Property Tax Listing and Assessing in NC course, the county assessor may request certification of the applicant as a personal property appraiser. The assessor must submit a request for appraiser certification form with the supporting certificates to the NCDOR. Upon verification, the applicant will be certified as a Personal Property Appraiser I. This is the minimum legal requirement for anyone who appraises personal property for the county tax office. Although this is a significant accomplishment in and of itself, it only symbolizes the beginning of the appraiser's potential as they learn more about the valuation process. Obtaining this level of expertise with certification in the appraisal of personal property, assigns much credibility to the appraiser and it adds a measure of public trust and confidence to taxpayers that the county tax office is competent and reliable.

Appraisers have the opportunity to reach higher levels of certification in appraising personal property in North Carolina. Although nothing can substitute for appraisal experience itself, there are other educational levels to strive for as the student continues working in the appraisal profession. NCDOR offers Personal Property Appraiser II and III certifications. To achieve these certification levels, additional coursework and experience is required. Upon completion of the requirements, the appraiser may request certification by submitting an application for certification as a property appraiser II or III with the supporting certificates to NCDOR.

The International Association of Assessing Officers (IAAO) is a nonprofit, educational association that provides leadership in accurate property valuation, property tax administration, and tax policy throughout the world. IAAO achieves their mission by providing educational opportunities, publications, research, technical assistance, conferences, and forums on assessment administration. IAAO has several professional designations that demonstrate an appraiser's dedication to education and experience. The Personal Property Specialist (PPS) designation is awarded to IAAO members demonstrating their achievement in personal property appraisal. This is accomplished through many hours of coursework, writing a demonstration appraisal report or passing an 8-hour case study examination, and passing a final 4-hour master exam.

The North Carolina Association of Assessing Officers (NCAAO) is an IAAO affiliated organization for North Carolina assessing professionals. They work to achieve and maintain a high level of performance in assessment administration in North Carolina. NCAAO offers an appraisal certification for both real and personal property appraisers.

North Carolina statutes require continuing education for all county appraisers and assessors certified by NCDOR and encourages all appraisers to strive for additional certifications and designations through the IAAO, NCAAO, or other professional appraisal organizations.

Uniform Standards of Professional Appraisal Practice (USPAP)

Leaders of professional appraisal organizations recognized the need for a common set of appraisal standards to achieve uniformity and equity. In 1989, eight American based organizations and the Appraisal Institute of Canada formed a committee to develop what is now known as the Uniform Standards of Professional Appraisal Practice (USPAP).

USPAP is the generally accepted standards document for professional appraisal practice in North America. It contains standards for all types of appraisal services including the subject areas of: real estate, personal property, business, and mass appraisal valuation. USPAP was created with the expressed purpose of promoting and preserving public trust and confidence in the professional appraisal practice. The United States Congress recognizes USPAP as the generally accepted standards of practice in the appraisal profession and authorized The Appraisal Foundation, through the Appraisal Standards Board (ASB), to exercise all authority and power over the content of USPAP.

Although the ASB creates, amends, and interprets USPAP, the ASB does not enforce the standards. Through the legislation in the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA), the federal government has mandated that the states enforce a real property appraiser's compliance to USPAP. Professional appraisal associations also have the authority to enforce USPAP compliance by their members.

IAAO requires that all appraisal work performed by its members in the United States and Canada be compliant with USPAP. USPAP standards relevant to the valuation of personal property are as follows:

Standard 5: Mass Appraisal Development

Standard 6: Mass Appraisal Reporting

Standard 7: Personal Property Appraisal, Development

Standard 8: Personal Property Appraisal, Reporting

Standards 5 and 6 define the appropriate form for developing mass appraisal methods and the structure for reporting the results. It states that in developing a mass appraisal, an appraiser must be aware of, understand, and correctly employ those recognized methods and techniques necessary to produce and communicate credible mass appraisals. The rules in these standards require the appraiser to follow their state's appraisal laws, emphasize the critical importance of continuing education so appraisers maintain competency, require the appraiser to consider appropriate market information, require the use of generally recognized appraisal techniques, and require the appraiser to not render a mass appraisal in a careless or negligent manner.

Standards 7 and 8 provide guidance on the proper appraisal process to follow so that the results are based on sound conclusions and are well documented. Standard 7 states, "In developing a personal property appraisal, an appraiser must identify the problem to be solved and the scope of work necessary to solve the problem and correctly complete research and analysis necessary to produce a credible appraisal." Standard 8 states, "In reporting the results of a personal property appraisal, an appraiser must communicate each analysis, opinion, and conclusion in a manner that is not misleading."

IAAO Standards

IAAO is recognized as a respected source for innovation, education, and research in property appraisal with regard to assessment administration and property tax policy. Although there are many other appraisal organizations, such as the Appraisal Institute and the American Society of Appraisers, IAAO is generally considered the leading member organization for property tax assessment professionals.

IAAO produces multiple standards for appraisal that include the Standard on Valuation of Personal Property. This standard represents a consensus in the assessing profession related to personal property appraisal. Although it is advisory in nature, it does not replace the NC general statutes or standards adopted by NCDOR. However, the Department supports this standard while working closely with IAAO and recommends reviewing this standard to help establish relevant goals and guidelines in the appraisal and assessment of personal property in your jurisdiction. Not every item in the standard is applicable in this state, however, we believe reviewing this standard will demonstrate that this appraisal course follows the standards of appraisal and assessment of personal property in other states and world nations.

IAAO offers several appraisal courses that support and expand on the appraisal fundamentals we will explore in this course. A list of all IAAO courses and information about the organization can be found on their website at www.iaao.org.

Conclusion

The appraisal and assessment of personal property can be a highly technical undertaking. Fundamental to this process is a basic knowledge of the legal requirements, the three generally recognized approaches to valuation, and generally accepted accounting principles. The appraiser should also strive to become familiar with the various types of property being assessed and the basic operation of the industry. This can be a challenging task to accomplish due to the large amount of property within a taxing jurisdiction, but it is vital for operating a successful organization. This course will strive to expose students to these important principles and prepare them for assessing personal property in a North Carolina county tax office.

Chapter 1 Exercise

______	1. A tax levied on property in proportion to the value of the property	a. Appraisal
______	2. An opinion of value	b. General statute
______	3. Generally accepted standards document for professional appraisal practice in North America	c. Machinery Act
______	4. Subchapter II of Chapter 105 of the Revenue Laws of North Carolina	d. Ad valorem
______	5. A written law pertaining to all persons within the state	e. USPAP

2

Property Tax Basics

The Property Tax

The property tax system in North Carolina is vital to the operation of our communities. Taxes on real and personal property and classified motor vehicles account for nearly 50% of the revenues collected by local governments. These funds support schools and community colleges, fire and police protection, social services, health departments and emergency services, veteran services, libraries, community development, parks and recreation, and many other community agencies and programs.

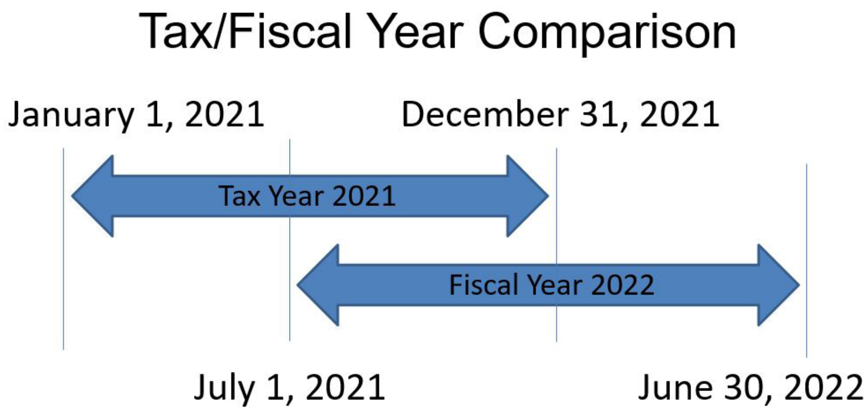
County assessors, collectors, local governments, boards of equalization and review, state revenue departments, and property owners all play a role in administering the property tax system. Property owners, or taxpayers, are responsible for listing and paying taxes and have a reasonable expectation that the taxing process is fair and equitable. County assessors review listings and collect data used to appraise and assess all taxable property within their jurisdiction. Local government boards appoint assessors and collectors, while county boards of equalization and review hear taxpayer appeals and ensure the accuracy of assessments. Tax collectors distribute funds to taxing units within their jurisdiction. Finally, the state revenue department serves as an oversight agency for the property tax system.

Tax Year

Taxes are collected on a fiscal year basis, which runs from July 1 of the current year through June 30 of the following year. However, most of the tax assessment activities are based on a calendar year schedule. G.S. 159-13 states that the budget ordinance of a local government shall levy taxes on property at rates that will produce the revenue necessary to balance appropriations and revenues, after taking into account the estimated percentage of the levy that will not be collected during the fiscal year. G.S. 159-8 states that the budget ordinance of a unit of local government shall cover a fiscal year beginning July 1 and ending June 30.

Tax Year vs. Fiscal Year

The tax year refers to the calendar year in which the annual property tax is levied. The fiscal year is the 12-month period used by counties for accounting purposes. These years are not always the same! For example, the 2021 tax year coincides with the property tax liability incurred as of the January 1, 2021, assessment date. The taxes would typically be billed sometime in July or August, and due September 1, 2021. Although it is a 2021 tax year bill, it is a part of the 2022 fiscal year, which runs July 1, 2021, through June 30, 2022. To simplify, the tax year is represented by the year of the billing, whereas the fiscal year is labeled by the end year date.



Tax Calendar

Property taxes are levied on a fiscal year basis. However, the property tax system follows a series of deadlines along the calendar year, starting with the January 1 assessment date. Some of the deadlines related to personal property are shown in the following chart.

Date	Event
January 1	Value, ownership, situs, and taxability of property are determined
January 2-31	Regular listing period
January 15	Deadline for submission of reports from house trailer park, marina, and aircraft storage facility operators, and persons having custody of tangible personal property of others
January 31	Last day for timely filing of listing forms, exemption and exclusion applications (except residential property tax relief programs), and requests for individual listing extensions
April 15	Last day for extending individual listings
June 1	Last day for extending electronic business personal property listings and filing applications for residential property tax relief programs
June 30	Fiscal year ends
July 1	Fiscal year begins Deadline for governing body to adopt budget ordinance and set tax rate
September 1	Due date of tax bill
December 22	Begin advertising upcoming listing period *(Ten days before January 1)*
December 31	Last day to make late application for exemption or exclusion

Tax Rates and Billing

Property tax rates are calculated separately by jurisdiction, then applicable rates are combined to arrive at the nominal tax rate. This rate is multiplied by the assessment level to compute the effective tax rate. The assessment level is the overall ratio of assessed values to market value. In North Carolina, the statutes require property to be assessed at 100% of market value. Therefore, the nominal tax rate and effective tax rate will always be the same in this state.

As stated in the introduction to the course, property taxes are an *ad valorem* tax, a tax which is based on the value of the thing being taxed. To calculate the tax, you simply multiply the effective tax rate by the assessed value. However, recall that tax rates are expressed as a rate per a monetary unit of value, typically $100. To arrive at our tax bill amount, we must divide the effective tax rate by 100 in our equation. Following is an example using these formulas.

Nominal Tax Rate = Sum of Jurisdictional Rates

Effective Tax Rate = Nominal Tax Rate × Assessment Level

Tax = (Effective Tax Rate ÷ $100) × Assessed Value

Example

Oak County has a tax rate of .55. One of its municipalities, Elm City, has a tax rate of .40. The assessment level in Oak County is 100%. What would the tax amount be for a business located in Elm City that has an assessed value of $150,000?

Nominal Tax Rate = .55 + .40 = .95

Effective Tax Rate = .95 × 1.00 = .95

Tax = (.95 ÷ 100) x 150,000 = $1,425

Conclusion

Local governments rely on the property tax to pay for the services it provides. The tax is assessed at the local level to the owner of the property being taxed. Jurisdictions rely primarily on the property tax because it can be administered locally, the tax base is relatively stable and reliable, and the property can stand as security for the tax. Property tax is an *ad valorem* tax that is based on the assessed value of the property. It can be administered at a relatively low cost and is applicable to all types of property. When equitably assessed, the property tax uniformly distributes the tax burden across the jurisdiction.

Chapter 2 Exercise

1. Taxes are collected on a ______________________ year basis, which begins ______________________ and ends on ______________________.
2. The assessment date is used to determine ______________________, ______________________, ______________________, and ______________________.
3. The ____ is the tax rate expressed as a percentage of market value.
4. The last day to extend an individual listing is ______________________.
5. Grange County has a tax rate of .75. One of its municipalities, the town of Greenfield, has a tax rate of .40. The assessment level in Grange County is 100%. What would the tax amount be for a business located in Greenfield that has an assessed value of $400,000? ______________________
6. Weston County has a tax rate of .65. One of its municipalities, Kings City, has a tax rate of .30. The assessment level in Weston County is 90%. What would the tax amount be for a mobile home located in Kings City that has an assessed value of $60,000? ______________________
7. Birch County has a tax rate of .85. One of its municipalities, the town of Gladstone, has a tax rate of .25 and a recreation tax rate of .10. The assessment level in Birch County is 100%. What would the tax amount be for an airplane located in Gladstone that has an assessed value of $600,000? ______________________

3

What is Personal Property?

Defining Property

Property is the right of any person or entity to possess, use, enjoy, and dispose of a thing. Property, then, is a broad term that expresses a relationship between property owners and their rights of possession. There are six basic rights associated with the ownership of property, commonly referred to as the bundle of rights.

Property can be divided into two types, real and personal. Real property consists of the land itself, and all buildings, structures, improvements and permanent fixtures on the land. It also includes all rights, benefits, and interest inherent in ownership of the real property. Personal property is defined by exception, and includes all property that is not permanently affixed to real property.

Personal Property Characteristics

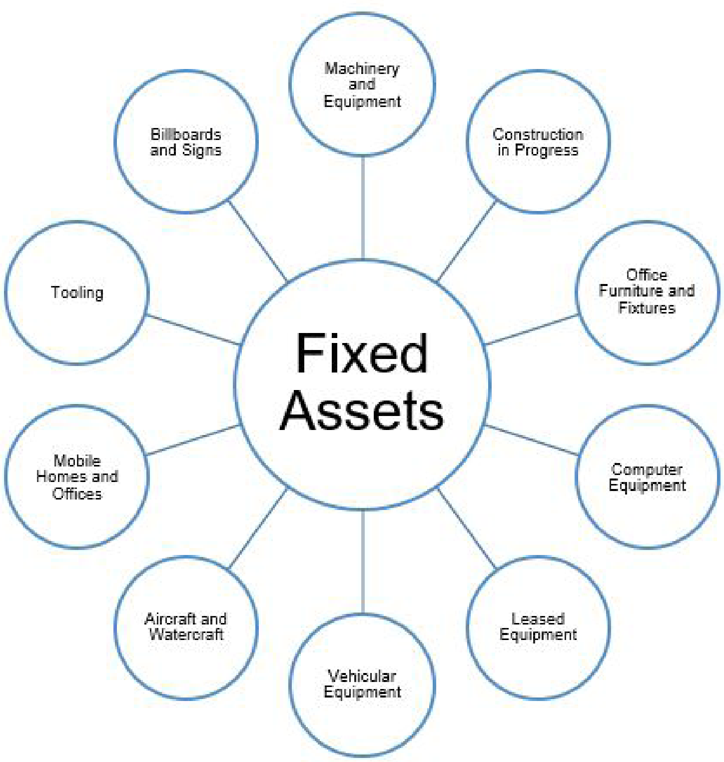
Personal property can be divided into two forms, intangible and tangible. Intangible personal property is an item of individual value that doesn't have physical substance, with the exception of the ownership certificate or accompanying records. Some examples of intangible personal property include stocks, copyrights, franchises, mortgages, patents, and goodwill. G.S. 105-273(14) defines tangible personal property as all personal property that is not intangible and that is not permanently affixed to real property. In North Carolina, almost all intangible personal property is non-taxable under G.S. 105-275(31). Therefore, we will focus on tangible personal property in this course.

Categories

There are four major categories of personal property: inventories, fixed assets, leasehold improvements, and intangibles.

Inventories primarily consist of raw materials, goods going through the manufacturing process, finished goods, and supplies. In North Carolina, the majority of inventory is excluded from taxation under G.S. 105-275. This includes inventories owned by contractors, manufacturers, and retail and wholesale merchants. This category of assets includes consumable supplies used in the process of manufacturing, distributing, storing, or merchandising of goods and services. Supplies and materials that are not consumed in manufacturing and do not become a part of the sale of an item are taxable. In addition, packaging materials that accompany and become part of the goods sold are not taxable inventory. Some common examples of taxable supply inventory include office, medical, janitorial, and cosmetology supplies, as well as fuels and spare parts that are held for equipment operation, repair and maintenance.

The fixed asset category is the most prominent type of taxable business personal property in this state. Fixed assets are long-term, tangible assets that a company purchases and uses for producing its goods or services. They are also referred to as capital assets, as their costs are typically capitalized by the owner for income tax purposes and are subject to depreciation. Fixed assets can be identified by three characteristics: (1) they are tangible, (2) they are acquired for use, not for resale, and (3) they are long-term in nature, having a useful life of one year or more. The property contained in the fixed asset category is wide-ranging:



Additions, alterations, or installations of assets into a leased space by the lessee are in the category of leasehold improvements. These improvements are usually made within the walls of the leased structure. Completing the improvements allows the tenant to improve their business by making the space suitable to the unique needs of their business. Specialty lighting, office partitions, dressing rooms, retail counters, and shelving are a few examples of this category of assets.

Finally, intangible property consists of assets that have value based on evidence of ownership versus physical presence. G.S. 105-275(31) exempts intangible personal property in North Carolina, with the exception of some computer software. Embedded software is taxable as part of the cost of the machine housing the software. Software that is purchased or licensed from a person who is unrelated to the taxpayer is also taxable if the costs are capitalized on the taxpayer's accounting records.

Real vs. Personal Property

It is sometimes difficult to draw a fine line between what is considered real property and what is considered personal property. There are no absolutes in determining whether assets should be classified as real or personal for ad valorem tax purposes. In many cases, the same property located in the same jurisdiction, with differing uses, could be taxed as real or personal property.

The basic factors to consider when determining whether assets are real or personal are designed use and purpose. Typically, the land, buildings, and any permanent structures or features designed for the safety and comfort of the occupants are considered real property. Any property that is designed for the benefit of the equipment or to facilitate a business process would be considered personal. Some examples of items that may appear to be real property, but should be considered personal property in certain situations, are: wiring, venting, flooring, special climate control, conveyors, boilers, shelving, displays, and leasehold improvements.

Leasehold Improvements

One of the most difficult challenges an appraiser faces in determining real versus personal property is leasehold improvements. Often, neither the owner nor the lessee lists the property with the county tax office. Many times this situation occurs because each of the parties believes that the other party is responsible for doing so. In addition, the business tenant may believe many of the improvements they have installed are real property.

Leasehold improvements are the subject of many personal property appeals. Courts tend to agree that an item of personal property becomes real when it is affixed in a manner that causes it to lose its physical characteristics and it cannot be restored to its original condition. A three-part test to determine whether property is real or personal originated from a case in Ohio (*Teaff v. Hewitt*, 1853).

Real vs. Personal Classification Test

Annexation

- How permanent is the method of attachment?
- Can the item be removed without damage to the property itself or the real property?

Adaptation

- How is the item being used?
- Are there unique characteristics or circumstances?

Intent

- What was the intent of the party making the annexation?
- Is there an agreement between the lessor and lessee?

As previously mentioned, personal property is defined by exception: all property that is not real. Personal property appraisers should be familiar with real property assessment in their jurisdiction. Before making a determination on the classification of property, the appraiser must understand what is included in the real property assessment of the leased space. The appraiser should request a detailed list describing the items in the lessee's leasehold improvement account, as stated in their accounting records. These items should be compared to the real property card for reconciliation purposes. Those items that are not included in the real property should be assessed to the lessee. It may be necessary to make a site visit with a real property appraiser to review leasehold improvements that pose difficulty when attempting to classify them as real or personal property.

Schedule of Values

Uniform schedules of values, standards, and rules to be used in appraising real property, with sufficient detail to enable those making appraisals to adhere to them, are required under G.S. 105-317. Although these schedules apply to the appraisal of real property, they should include a detailed description of what is included in the real property value. In addition, most jurisdictions include a section that specifies the general classification of real and tangible personal property. Here is an example of a classification page from a county's schedule of values:

General Classification of Real and Personal Property

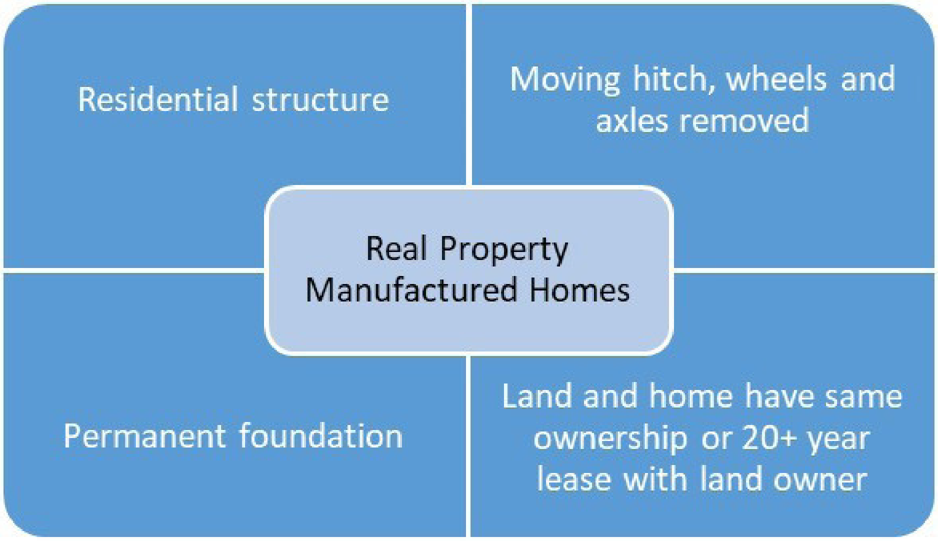
Description	Real	Personal
Air Conditioning - Building	●	
Air Conditioning - Manufacturing/Product		●
Air Conditioning - Window Units		●
Airplanes		●
ATM Machines & Shelters		●
Auto Exhaust Systems - Flexible Tube		●
Auto Exhaust Systems - Built-in Floor or Ceiling	●	
Bar and Bar Equipment		●
Boats and Motors		●
Bowling Alley Lanes		●
Boiler - Manufacturing Process		●
Boiler - Servicing Building	●	

The appraiser should review the schedule of values as part of their overall research when determining the classification of an asset as real or personal property. Classification depends heavily on the jurisdiction's established policies and procedures.

Manufactured Homes

G.S. 143-143.9 defines a manufactured home, or mobile home, as a transportable structure in one or more sections. The sections must be eight feet or more in width or 40 feet or more in length in the traveling mode. The statute also includes erected manufactured homes that are a minimum of 320 square feet. These homes must be built on a permanent chassis and designed for use as a dwelling when connected to proper utilities, and include plumbing, heating, air conditioning, and electrical systems.

Certain manufactured homes are statutorily considered real property under G.S. 105-273 when specific conditions are met. The conditions are as follows:



The NC Department of Insurance has issued building codes for the installation of manufactured homes. The only requirement for a permanent foundation is footings and piers. To be considered real property for ad valorem tax purposes, the manufactured home should be in compliance with the building code. Note that these homes do not have to be "bricked in" to be considered real property.

Another misconception on manufactured homes is size determines classification. Nowhere in the requirements does it state that all double wide mobile homes are considered real property, or that single wide mobile homes can only be taxed as personal property. As long as the basic size requirements stated in the defining statute are met, along with the stated criteria for real property assessment, any size manufactured home can be considered real property. Likewise, any manufactured home that does not meet <u>all</u> of the stated criteria for real property assessment must be taxed as personal property.

It is worth mentioning that modular homes are constructed following the same provisions of the North Carolina Building Code as site built homes. Modular homes should always be appraised and assessed as real property, including those in which the home and land owner differ. The one exception to taxation of modular homes is a display model that is held for eventual sale at the retail merchant's place of business. These homes are considered exempt inventory under G.S. 105-273 until sold.

Conclusion

In general, assets used primarily as part of a business process are identified as personal property. Fixtures that are affixed to the land or building and intended to remain permanently in place are identified as real property. Whether the property is classified as real or personal is of lesser importance. The main objective of the appraiser is to avoid double taxation and ensure uniform assessment across the jurisdiction.

Chapter 3 Exercise

1. ____________________ is the relationship between property owners and their rights of possession.
2. Land, buildings, and any permanent structures or features designed for the safety and comfort of the occupants are considered ____________________.
3. Property that is designed for the benefit of the equipment or to facilitate a business process is considered ____________________.
4. ____________________ personal property is an item of individual value that doesn't have physical substance, with the exception of the ownership certificate or accompanying records.
5. ____________________ are additions, alterations, or installations of assets into a leased space by the lessee.
6. Assets that are tangible, long-lived, and acquired for use are ____________________.
7. For the following list of assets, indicate the major category of personal property: inventory, fixed asset, leasehold improvement, or intangible.

    a. Packing machine on an assembly line ____________________
    b. Paper and pens used by a law office ____________________
    c. Copyrights owned by a recording company ____________________
    d. Hostess stand in a restaurant ____________________
    e. Specialty lighting in a jewelry store ____________________
    f. Mobile office at a construction site ____________________

8. Annexation, adaptation, and intent are three characteristics that must be reviewed when classifying property as ____________________ or ____________________.
9. List the conditions required for a mobile home to be considered real property under G.S. 105-273:

    a. ____________________
    b. ____________________
    c. ____________________
    d. ____________________

10. State whether the following property is real or personal in nature.

a. Humidor room in a cigar shop ____________________

b. Tile floor installed in a retail flooring business' showroom ____________________

c. Enhanced concrete foundation under a large piece of machinery ____________________

d. Modular home on leased land ____________________

e. Sink installed in a beauty salon ____________________

f. Walk-in cooler at a butcher's market ____________________

4

Assessment Basics

The Assessor

The assessor holds a unique position within the structure of local government. Although appointed by county commissioners, assessors are public officers whose duties are defined by state law. Assessors should be free to perform their duties without local retaliation; however, they are subject to supervision at both the county and state levels of government. The majority of the powers and duties of the assessor are located in G.S. 105-296. The county assessor shall have general charge of the listing, appraisal, and assessment of all property in the county. Additionally, the assessor shall employ staff, carry out reappraisals, perform compliance reviews, submit reports to NCDOR, and advertise the listing period and Board of Equalization and Review hearing dates. Powers include, but are not limited to, subpoenaing witnesses, requiring financial statements, and changing property values prior to the convening of the Board of Equalization and Review.

What is taxable?

G.S. 105-274 subjects all real and personal property within the State of North Carolina to taxation, unless it is statutorily excluded from the tax base or exempted from taxation by the Constitution or a general statute of statewide application.

Exemptions and Exclusions

The statutes pertaining to exemptions and exclusions can be found in G.S. 105-275 through 105-278.8. Exemptions and exclusions include property tax relief programs; the present-use value program; property used for religious, educational, and charitable purposes; non-business property; property used to abate pollution; property owned by units of government; and various other classifications. Exemptions and exclusions either remove all (or a portion) of the property's value from the tax base, or defer some portion of the tax into the future.

G.S. 105-274 sets forth the application process in order to grant an exemption or exclusion of value on a property. The general deadline for filing an exemption application is January 31, or the last day of the listing period. If a property owner fails to file an exemption application on time, they may petition the local board to accept the late application.

Assessment Date

The annual assessment date of January 1, established in G.S. 105-285, is used to determine the value, ownership, and place of taxation of personal property. This statute also requires all property subject to ad valorem taxation to be listed annually.

Jurisdiction to Tax

The authority to tax property rises from the theory that the government provides services and protection to the property, or the property owner.

The Due Process and Equal Protection Clauses of the United States Constitution prevent states from claiming jurisdiction over property or persons without a reasonable relationship between the tax imposed and the opportunity, benefits, and protection afforded by the taxing body. When a state establishes jurisdiction over property, the property is said to have a taxable situs in that state. Situs is the location where an asset is taxable, and refers to the location where the property is more or less permanently located.

In the North Carolina case *In re Plushbottom & Peabody, Ltd.* (1981), the Court of Appeals opines, "The theory of taxation is that the right to tax is derived from the protection afforded to the subject upon which it is imposed. The actual situs and control of the property within this State, and the fact that it enjoys the protection of the laws here, are conditions which subject it to taxation here."

Domicile

The domicile of tangible personal property is the residence of the owner, or the place where the property is customarily kept. The domicile state has jurisdiction to tax the property whether or not it is physically located in the state on the assessment date. When property is removed from the owner's domicile state and domicile is established in another state, it becomes taxable in the new state. In such cases, jurisdiction is lost by the former domicile state, as it no longer provides substantial benefits and protection to the property. An attempt by the former domicile state to tax such property would be in violation of the Due Process Clause.

Interstate Commerce

The Commerce Clause of the United States Constitution grants Congress the authority to regulate interstate commerce. Courts have interpreted this to mean that state governments are not allowed to impose regulations or taxes that would place an excessive burden on interstate commerce, unless they are authorized to do so by Congress. The prohibition covers property from the time it enters the channels of interstate shipment and continues until the interstate journey has ended. In short, states cannot tax property which is in transit. However, federal courts will uphold state taxation on interstate commerce if there is a substantial connection between the property being taxed and the state.

As a general rule, this journey begins when the property is turned over to the carrier and ends when it is delivered to the consignee, typically within seven days. Conversely, delays in interstate transit may create a taxable situs in an intermediate state, depending upon the nature and duration of the delay. The reason could be incidental to the transportation of the property, or it could be due to an alternative purpose of the owner, not related to such transportation. Property detained in transit to accomplish a particular purpose, other than the transportation to its ultimate destination, may become taxable in the state in which it is detained when jurisdiction is established. For example, property brought from another state to North Carolina for the purpose of completing a manufacturing process in this state, then shipped to a customer in another state would not be deemed "in transit". A manufacturing process represents something more than a cleaning, finishing, or dying process. Manufacturing denotes a change in the goods as they enter the process of transitioning into a different form of finished goods. (*In re Appeal of Hanes Dye and Finishing Co.* (N.C. 1974))

Situs

The NC Supreme Court has ruled that situs is an absolute essential for taxation of tangible personal property in this state (*Transfer Corp v. County of Davidson, 1969*). For real property and stationary personal property, situs is easy to determine. However, the situs of movable personal property is not as easy to ascertain. The situs may be the physical location of the property, or the place where it is considered to be more or less permanently located.

General Rule

G.S. 105-304 directs that tangible personal property is taxable at the residence of the owner. In cases where an individual owns multiple residences in the state, the property is taxable where the individual lived the majority of the time during the preceding calendar year. For business personal property, the tax situs is considered to be at the company's business premises, the place where the company's principal place of business in North Carolina is located. Business premises include: stores, mills, dockyards, piling grounds, shops, offices, mines, farms, factories, warehouses, rental real property locations, the place where goods are being sold, and storage spaces. For individuals and businesses with no fixed residence or principal office in the state, the property is taxable at the location in this state where it is situated.

Exceptions

There are a few exceptions to the general rule. The first being property that is situated and commonly used in connection with a temporary or seasonal dwelling. An example would be an individual who has a permanent residence in Wake County, but keeps their boat at a beach house in New Hanover County year-round. As the boat has acquired a situs in New Hanover County, it would be taxable at the seasonal dwelling.

The second exception involves property that is used in connection with business premises other than the company's principal office. This exception not only includes businesses with multiple locations in the state, but also personal property that is used to sell or vend merchandise to the public. In this exception, the property is taxable at the location where it is situated. For example, vending machines owned by a soft drink company that are located in Cumberland County would be taxable in Cumberland County, not at the company's headquarters in Craven County.

The third exception involves leased property. These assets are taxable at the business premise of the lessee, the possessor of the property. Postage machines owned by a company that is based in Mecklenburg County that are situated at the lessee's business premise in Rowan County have gained a taxable situs in Rowan County.

Finally, in applying the exceptions to the general rule on situs, it is important to note that the temporary absence of property on the January 1 assessment date does not affect the application of the rules established for situs. Nor does it affect the ability of the assessor to tax the property, so long as it is more or less permanently situated in the taxing jurisdiction.

Conclusion

The county assessor is very much involved in determining jurisdiction over tangible personal property. By statute, situs must be established for taxation in this state. The NC Attorney General has addressed jurisdictional issues and has concluded that the owner's intent is a governing factor in determining taxable situs. A rule-of-thumb suggests that if the property is physically located at a site on the tax assessment date, and the owner expects the property to remain at that site until the next tax assessment date, then that is a sufficient amount of time to acquire a taxable situs at that location.

Chapter 4 Exercise

1. The ____________________ has general charge of the listing, appraisal, and assessment of all property in the county.

2. All real and personal property in North Carolina is subject to taxation unless ____________________ or ____________________ by the Constitution or a general statute of statewide application.

3. The general deadline for filing an application for exemption is ____________________.

4. ____________________, ____________________, and ____________________ are determined annually on the assessment date of ____________________.

5. The residence of the owner, or the place where an item of tangible personal property is customarily kept, is the ____________________.

6. The taxable location where property is more or less permanently located is the ____________________.

7. The tax situs of business personal property is the company's ____________________.

8. True or False: The Commerce Clause of the United States Constitution authorizes state governments to impose regulations and taxes on interstate commerce.

9. True or False: Federal courts will uphold state taxation on interstate commerce if there is a substantial connection between the property being taxed and the state.

10. Review the scenarios listed below and indicate the county where the property is taxable.

    a. A boat docked at a marina in New Hanover County from March through October that is owned by a permanent resident of Buncombe County ____________________
    b. A copier leased by the Nash County tax office that is owned by a company headquartered in Wake County ____________________
    c. An airplane hangered in Guilford County is located in Kent County, Delaware on January 1 ____________________

d. A bulldozer owned by a construction company in Cabarrus County is located in Rowan County January 1-March 31; Stanly County April 1-August 31; and Union County September 1-December 31 ____________

5

Listing

Listing Owner

Under G.S. 105-306, taxable personal property is to be listed in the name of the owner on the assessment date of January 1. It is the duty of the listing owner to list the property for taxation. However, if personal property is listed in the name of a person other than the person who should have listed it, the abstract and tax records should be corrected to list the property in the owner's name. The corrected listing has the same force and effect as if it had been listed appropriately from the start.

For business entities, personal property should be listed in the name of the corporation, partnership, or unincorporated association. For sole proprietorships, the listing should be in the name of the owner, followed by *Trading As* (T/A) or *Doing Business As* (DBA) and the name of the proprietorship.

Personal property in which ownership is in dispute, or the owner is unknown, should be listed in the name of the person in possession of the property. If it appears no one is in possession, it should be listed in the name of *Unknown Owner*.

Leased Property

In all cases, the owner bears the responsibility to list and pay taxes on personal property. When we examine leased property, sometimes identification of the owner is difficult to discern. There are essentially two types of leases, operating and capital. An operating lease is a true lease. The owner of the property enters into an agreement with a lessee, usually for a specified time and rental. At the end of the lease period, the property is returned to the owner (lessor). At no time is the ownership of property in question.

For ad valorem tax purposes, a capital lease is not a true lease, rather a financing arrangement between the lessor and lessee. For this reason, the lessee (possessor) is considered to be the owner of the property and has the responsibility to list the property and pay taxes.

FASB Statement No. 13 provides a test for the appraiser to determine whether a lease is an operating or capital lease. If the answer to any one of the four questions is yes, then the lease is a capital lease and the lessee is considered the owner for property taxes. If all four questions are answered no, then the property is subject to an operating lease, and the lessor is the owner for property tax purposes.

1. There is a bargain purchase option at the end of the lease period. The lessee can be expected to purchase the leased asset and become its legal owner.

2. The ownership (actual title) of the property transfers at the completion of the lease.

3. The lease term is 75% or more of the useful economic life of the leased asset. The lessee uses up most of the leased asset's service potential.

4. The discounted minimum lease payments exceed 90% of the original

cost of the asset. In effect, the lease payments operate as installment payments for the leased asset.

The final consideration in listing property acquired through a capital lease is the acquisition cost. The property should be listed as an acquisition for the year in which the lease began at the original purchase price, not the bargain purchase price.

Listing Period

Once it has been determined that property is taxable, where it is taxable, and who is responsible for listing, the property must be listed with the assessor for taxation during the annual listing period. This period begins on the first business day of January and ends on January 31. (Note: Under G.S. 105-395.1, when January 31 falls on a weekend, holiday, or day in which the office is closed under certain conditions, the deadline advances to the next business day.) Taxable property is listed for taxation on an abstract, or listing form. This form is also where the appraised and assessed values of the property are recorded.

Extensions

The board of county commissioners may file a resolution under G.S. 105-307 for a general extension of the listing period. In doing so, any action to extend must be recorded in the minutes of the board and proper notice must be published as required by statute. In non-revaluation years, the listing period may be extended for up to 30 additional days. During revaluation years, the listing period may be extended for up to an additional 60 days. For electronic listing, the period may be extended up to June 1.

Individuals may also apply for an extension. These requests must be filed in writing with the assessor, who presents them to the board of county commissioners for consideration. At their discretion, the board may delegate the authority to grant extensions to the assessor. Individual extensions must be requested during the regular listing period, for both individual and business property owners. These extensions shall not extend beyond April 15, with the exception of electronic listings, which may be extended up to June 1.

Listing Form

The single most important tool in the appraisal of personal property is a well-designed listing form completed and signed by the taxpayer. Under G.S. 105-318, NCDOR is authorized to design and prescribe forms to be used in this state for listing. In connection with this authority, a uniform statewide business personal property abstract is published annually. This form must be accepted by county tax offices in this state. Counties choosing to design and publish their own abstracts are permitted to do so under this same statute. However, the forms must be approved by NCDOR prior to use. Regardless of the county implementing an approved listing form, the statewide form published by NCDOR must always be accepted. At the time of publication, a non-business, individual personal property listing form has not been published by NCDOR. Counties must design and publish their own individual personal property abstracts, with approval by NCDOR.

Electronic Listing

Personal property may be listed by electronic means pursuant to G.S. 105-310.1. A county may implement electronic listing through the filing of a resolution by the board of county commissioners. Electronic listing involves the filing of an abstract and affirmation using electronic means. NCDOR institutes the minimum requirements and counties must seek approval from NCDOR prior to going electronic. After review and confirmation that the county's system meets the established criteria, and a proper resolution has been filed, NCDOR will grant approval to the county to accept listings electronically.

It is important to note that in some cases, taxpayers listing electronically are given more influence over the appraisal of their property by selecting the schedule used to value the property listed. Counties using electronic listing should have a review process in place to ensure the property is being appraised accurately. When used properly, electronic listing can be a time-saver for both taxpayer and county.

Affirmation

As stipulated in G.S. 105-310, listing forms must contain an affirmation to be signed by an individual qualified under G.S. 105-311. In summation, the affirmation confirms the signatory's completeness and truthfulness of the listing and any accompanying statements, inventories, schedules, or other information. If signed by someone other than the taxpayer, the signatory confirms their knowledge of the taxpayer's property and its value.

For individual taxpayers, the person whose duty it is to list the property for taxation should complete and sign the affirmation. In the event the individual taxpayer is unable to list their property, a guardian, authorized agent, or other person having knowledge of the property, and charged with the general care of the person and property, should sign the abstract.

Business personal property abstracts may be signed by a principal officer of the taxpayer, a full-time employee of the taxpayer authorized by a principal officer, or an agent of the taxpayer authorized by a principal officer.

Careful consideration should be given to who is allowed to sign. An abstract signed improperly must be rejected.

Submission

Listing forms may be submitted in person, by mail, or by electronic means in counties that have authorized electronic listing. For purposes of timeliness and penalty application, in person submissions are received on the date presented to the tax office. Mailed listings are considered filed as of the date shown on the postmark, if it is affixed by the United States Postal Service. Metered mail, non-USPS postmarked mail, and mail without a postmark is deemed received on the date of actual receipt in the office of the assessor. Electronic listings are considered filed when received electronically by the office of the assessor, based on the timestamp applied by the receiving equipment or software. Should a dispute arise over the timeliness of a listing, the burden of proof is on the taxpayer to show that the listing was timely filed.

Supplemental Information

G.S. 105-309 requires taxpayers to declare their property in an itemized listing that provides the detail prescribed by the listing form, and indicates the municipality in which the property is taxable. Should the assessor find it necessary to obtain a complete listing of the taxpayer's property, they may require a taxpayer to submit additional information, inventories, or itemized lists of personal property. Upon receiving a request, the taxpayer must provide any information they have concerning the true value of their listed personal property.

NCDOR is authorized under G.S. 105-289 to furnish information to a local tax official that may assist in securing complete tax listings, appraising or assessing property, collecting taxes, or presenting information in administrative or judicial proceedings. A local tax official consists of the county assessor, an assistant county assessor, a member of a county board of commissioners, a member of a county board of equalization and review, a county tax collector, or the municipal equivalent of one of these positions. Prior to releasing the information, a secrecy certification must be signed and on file with NCDOR.

Reports in Aid of Listing

As of January 1 of each year, people in custody of taxable tangible personal property of others are required to submit a report to the county assessor in which the property is located. This includes warehouses, cooperative growers' and marketing associations, consignees, factors, commission merchants, and brokers. In addition, operators of house trailer parks, marina, and aircraft storage facilities must also submit reports. These reports must include information such as the name of the owner of the property, a description of the property, and the quantity of the property.

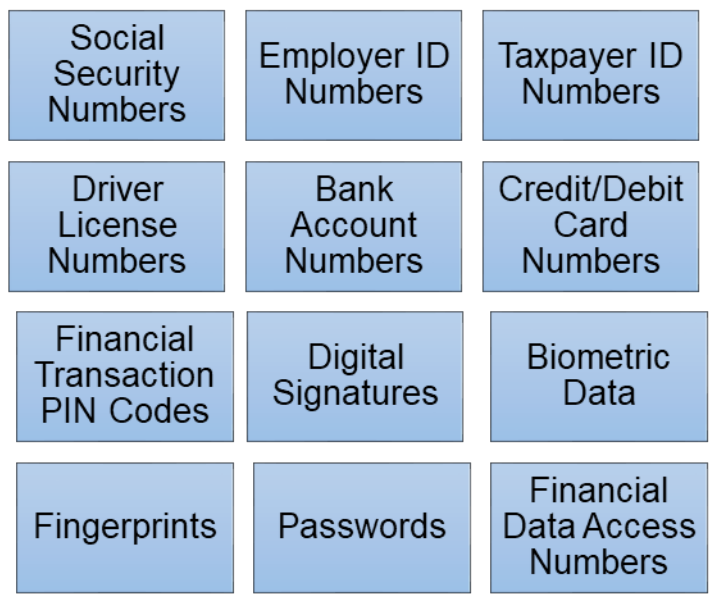
The required reports are due to the assessor by January 15. Any person who fails to remit the required report could be held liable for a penalty equivalent to the unpaid portion tax on the property plus an additional $250.

Security

Simply stated, all government records are the property of the people. They are to be made available upon request, unless they are specifically exempted by state or federal law from disclosure. In addition, the requestor does not have to provide the purpose for the request or their intended use of the record. G.S. 132-1 broadly defines public records and includes most all types of communication made or received in connection with transacting public business: documents, papers, letters, maps, books, electronic data-processing records, etc.

Upon request, local tax records are subject to disclosure without redaction. There are two primary exceptions to this rule: (1) records that contain income information, and (2) records that contain social security numbers or other personally identifying information. Income records need not be disclosed and are considered confidential. This also includes records containing a business taxpayer's receipts. The tax office may disclose these records after all income and receipt information is redacted. The North Carolina Identity Theft Protection Act of 2005 is a series of broad laws that discourage identity theft and protect individual privacy. This Act protects information falling into the second group and shown in the chart below. Records in this group must be disclosed after redaction of the confidential information.

Confidential Information



The ability to utilize a Social Security Number, EIN, or TIN for identification purposes is very important to the local tax office. Incorrect or careless management of these numbers could jeopardize the authority to obtain them. To make the request for these numbers on the listing form, you must advise whether the request is mandatory or voluntary, disclose the authority for requesting the number, provide a statement of purpose, only use the number for the stated purpose, and not print the numbers on any document unless required by law. If the listing form includes a social security number, EIN, or TIN, you must redact the number before disclosing the record.

All listing forms are public records and must be disclosed upon request with the required redactions. Any additional information that is requested after the listing form has been reviewed is not subject to public inspection, as specified in G.S. 105-296. If someone other than the taxpayer requests information from a file, only the abstract itself and the cost information provided on it should be shown. In addition, information received from NCDOR is not subject to public inspection.

At no time should citizens be allowed to freely examine all of the listing files. All listing information, confidential or not, should be kept secure.

Conclusion

Once taxability and situs are determined, the taxpayer must self-declare their property on a listing form prescribed by the county or NCDOR. The quality of the assessment process is a direct result of obtaining complete listings. To achieve this goal, it is necessary to educate the taxpayer as to what constitutes a complete listing and incorporate a systematic review of each form as it is received. Any forms that are found to be deficient must be promptly returned to the taxpayer for correction.

Chapter 5 Exercise

1. The ____________________ period begins on the first business day of January and ends on January 31.
2. A well-designed ____________________, completed and signed by the taxpayer, is the single most important tool in the appraisal of personal property.
3. Individual extensions of time for listing shall not extend beyond ____________________, with the exception of electronic listings, which shall not extend beyond ____________________.
4. Counties may elect to design and publish their own ____________________; however, they must first obtain approval from ____________________.
5. The ____________________ should be completed and signed by the person whose duty it is to list the property for taxation.
6. Who is authorized to sign a business personal property abstract?

   a. ____

   b. ____

   c. ____

7. True or False: A listing form is postmarked by Pitney Bowes with a date of January 30. It is received in the assessor's office on February 2. The listing is considered timely by the postmark.
8. True or False: A listing form is sent through the US Postal Service and failed to be properly postmarked. It is received in the assessor's office on February 1. The listing is considered untimely due to the date of receipt by the assessor.
9. True or False: After reviewing an abstract, the assessor may require a taxpayer to remit additional information concerning the true value of their property.
10. What are the two primary exceptions to disclosure of public tax records?

    a. ____

    b. ____

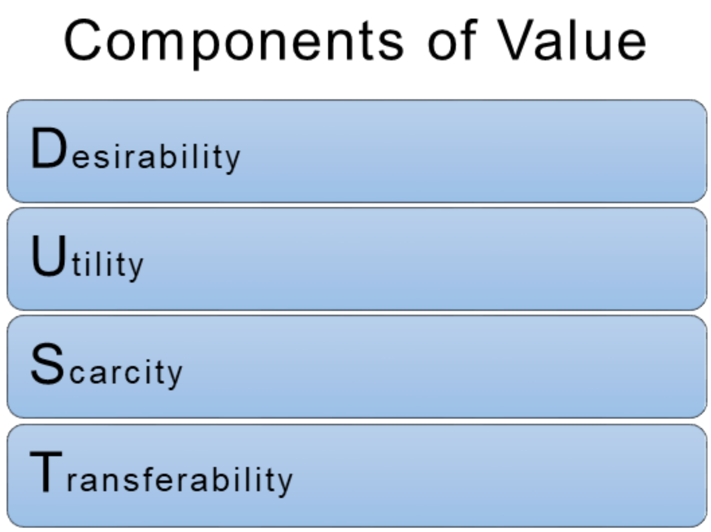
6

Value and Appraising

What is value?

The term value can have many different meanings depending on the context in which it is used. The economic concept of value is identified as the relative worth of a commodity when compared to all other substitutes for the commodity. Value can also be summarized as the quantity of labor, goods or money that people are generally willing to give in exchange for something. In general, value represents the relationship between an object desired and a potential owner.

Before property can have value, it must meet all of the following prerequisites:



Desirability implies that people are ready and willing to purchase property at some price. This desirability must be backed up by the ability to pay to create effective demand. The perceived benefit of such property, monetary or otherwise, represents the items utility. The value does not reside in the property itself; rather, it is the perceived capacity of usefulness to an individual. Property must also require time and effort to obtain and be scarce enough that it is necessary to make economical use of the property while avoiding excess waste. Finally, the property must be capable of being transferred. A property only has value when its attributes of utility and scarcity can be exploited by exercising the power of ownership through exclusive use or sale.

Valuation Standards

The uniform appraisal standard established in G.S. 105-283 directs that all property shall be appraised at its true value in money. This standard defines *true value* as, "...market value, that is, the price estimated in terms of money at which the property would change hands between a willing and financially able buyer and a willing seller, neither being under any compulsion to buy or to sell and both having reasonable knowledge of all the uses to which the property is adapted and for which it is capable of being used."

As true value equates to market value, it is important to distinguish between market price and market value. Market price is the amount actually paid in a particular transaction. Market value is the most probable price that an asset would command in an open market during an arm's length transaction. It is an estimated sales price that assumes the buyer and seller are both knowledgeable of the asset, acting in their own best interest without coercion, have a reasonable timeframe available for completing the transaction, and payment will be in cash or standard financing.

The function of county appraisers is to determine value under the true value standard required by law. A true value estimate must consider the property's use, with the highest and best use of the asset being utilized to measure true value. The highest and best use principle requires that property be appraised at the most profitable use of the asset that is physically possible, legally permissible, and financially feasible.

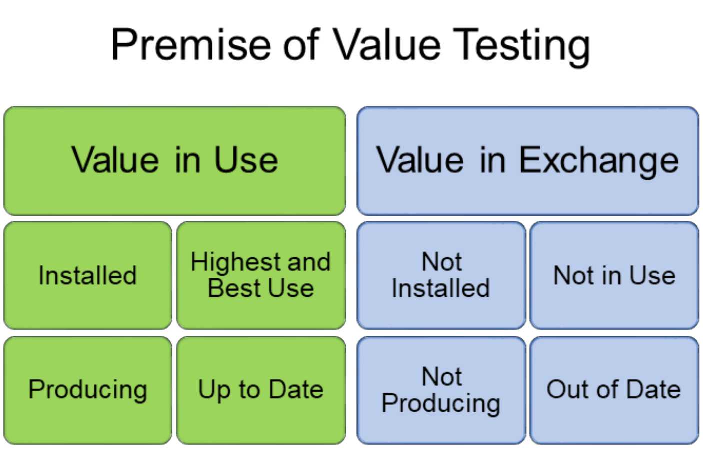
G.S. 105-284 establishes a uniform assessment standard that requires all property, real and personal, to be assessed for taxation at its true value, or use value for properties in the present use program. In addition, this standard requires taxes levied by jurisdictions to be levied uniformly on the assessments determined under these valuation standards.

Premise of Value

When discussing value, an important distinction must be made between two varying premises: value in use and value in exchange. The premise of value reflects the current operating condition of the business.

Value in use is the value that is derived from utilization of an asset, while value in exchange represents the amount an asset can be exchanged for.

Under the value in use premise, assets are valued as part of an operating business. This premise implies that an asset is installed, operating, and performing its function, or producing income. Assets valued in use tend to result in an appraised value in the upper level of a range of possible values. On the contrary, under the value in exchange premise, an asset is valued as a commodity. Value in exchange represents the amount at which an asset would change hands between an informed buyer and seller under normal market conditions. The following chart can be used to identify the appropriate premise of value.



To demonstrate the difference of value in use and value in exchange, let's consider an owner of a single Sonic drive-in restaurant. The business owns the real and personal property, and has been operating long enough to make accurate revenue projections. The business purchased the real property for $2,000,000, which included construction of the building. In addition, $500,000 of restaurant equipment was purchased. When offered to another Sonic franchisee, with the intent of the buyer to continue operating as Sonic, the business commands a purchase price of $3,000,000. This figure represents value in use, and consists of the combined value of the real and personal property, including intangible personal property attributable to goodwill. On the other hand, when offered for sale on the market, the real property commands a purchase price of $1,500,000 and the personal property could be sold used for $300,000. Thus, the value in exchange of the real and personal property is $1,800,000.

The value in use premise requires that personal property be valued inclusive of all costs incurred in the acquisition and installation of the property. As such, the highest and best use of personal property is fairly consistent with its value in use.

Types of Value

In appraising personal property, there are multiple types of value the appraiser must be aware of.

Going Concern Value	• The value of property determined by consideration of the business as an operating entity in an established market and functioning in an efficient and economical manner.
Liquidation Value	• The value that equates to the price individual assets of an operating unit would bring if dismantled and moved to another location.
Residual Value	• A minimum value of property still usable by the owner at which no further depreciation is allowed.
Salvage Value	• The value of property when the utility of the property has ended.

The Amp Case

In 1975, the NC Supreme Court ruled in one of the most important cases dealing with property tax in North Carolina, *In Re Appeal of Amp Inc*. The court's decision established important standards for personal property and the criteria for a taxpayer to establish an improper assessment. The NC Supreme Court made the following assertions in the case:

1. Implicit in G.S. 105-294 (now codified as G.S. 105-283) is the "on-going entity assumption" concept. Failure to assign a going-concern value ignores the provision of law relative to the true value standard provided by G.S. 105-283.
2. The mere fact that there is no market for a particular property does not deprive it of "market value, true value, or cash value."
3. We believe that the proper valuation standard would be the cost of replacing the inventory, plus labor and overhead. In terms of a formula, this equals replacement cost plus labor and overhead.
4. There is no statutory authority that permits the county assessor, as a per se rule, to equate "book value" to true value in money.
5. In order for a taxpayer to rebut the presumption of correctness of an ad valorem tax assessment, they must produce competent, material and substantial evidence that the county tax supervisor used an arbitrary or illegal method of valuation and that the assessment substantially exceeded the true value in money of the property.

Approaches to Value

There are three major approaches in appraising property: cost, sales comparison, and income. Each appraisal approach should be carried out independently from the others and completed on the basis of market data applicable to that approach. In addition, the data derived from the market should be relevant, or comparable, to the property being appraised. In cases where all approaches to value are performed independently, the results define a value range and allow for a rational and defensible final estimate of value. Although all three approaches to value should be considered, the nature of the subject property, its market, and the availability of data will often indicate which approach is proper. The appraiser should analyze all data available for the property and utilize the most applicable approach in the appraisal.

Cost Approach

The cost approach is based upon the principle of substitution. This principle contends that the higher limit of value of property is determined by the cost of acquiring an equally desirable substitute. In practice, the value estimated during the cost approach is determined by calculating the replacement cost new of the property and subtracting depreciation. In simple terms, depreciation is defined as the loss in value due to all causes. Estimating depreciation is the greatest weakness of the cost approach. Its strengths are its broad applicability and availability of data, making it the most widely used of the three approaches for business personal property appraisal.

Sales Comparison Approach

The sales comparison approach, commonly referred to as the market approach, is also based upon the principle of substitution. This approach uses direct evidence of the market's opinion of the value of a property. The appraiser estimates the value of the property by comparing the property being appraised to similar properties that have recently sold. The strength of the sales comparison approach is that it reflects current economic conditions. This approach is very reliable in an active market and is an excellent approach for appraising motor vehicles, boats, trailers, recreational vehicles, and aircraft. Data is plentiful and continuously updated and available in industry guides for these property types. However, the sales comparison approach is limited for properties that are infrequently sold, or in cases where insufficient market evidence exists. When comparable properties are not close substitutes to the property being appraised, the appraiser must make subjective adjustments to the market data, rendering it less reliable. Use of adjustments makes the market approach difficult to apply to property such as heavy machinery, leased equipment, and furniture and fixtures.

Income Approach

The income approach to valuation estimates the market value of property using the income of the property. This approach is based upon the principle of anticipation. The principle perceives the present value of property as the sum of anticipated future benefits. The income approach reflects actual investment criteria and recognizes economics. The appraiser will analyze sales and rentals of equipment in comparison to the subject property, then capitalize the asset's rental income, not the owner's business income. With reliable data, this approach produces good value estimates for leased property and production equipment when the entire production unit is being appraised in use. This approach is used the least when valuing personal property and requires knowledge of complex financial methods. In addition, income data can be very subjective, making the value estimate less reliable.

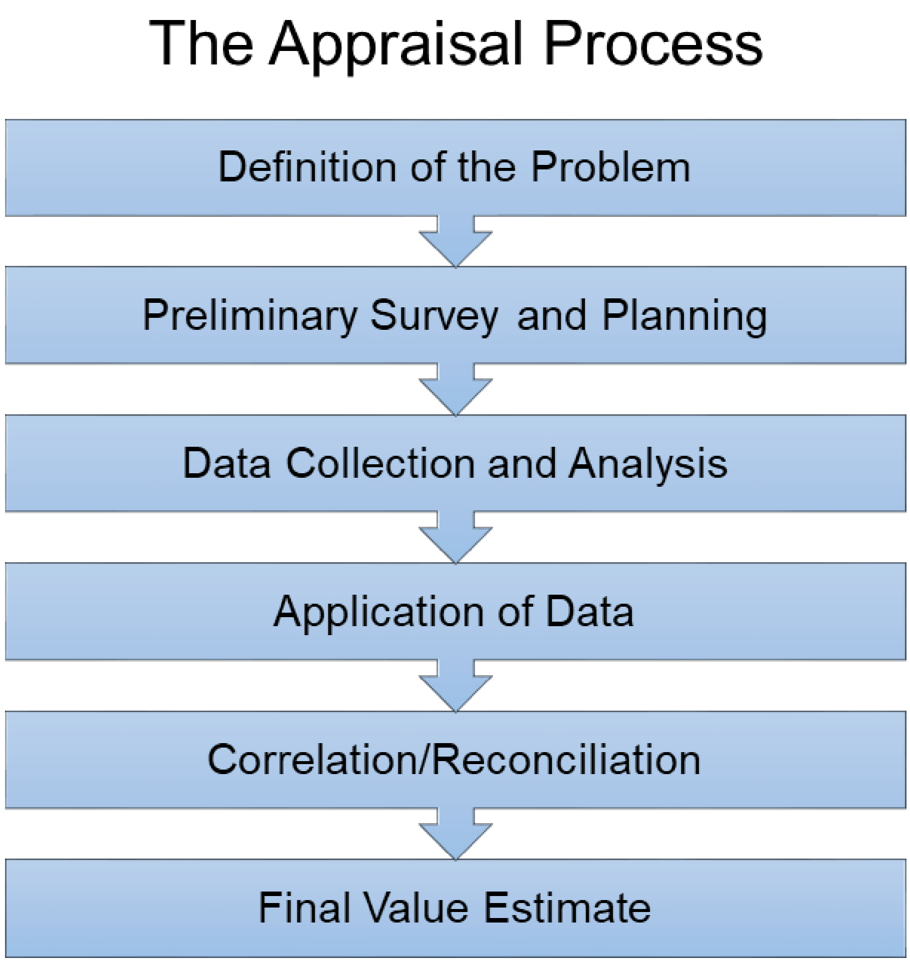
Mass Appraisal

It is not feasible for a county tax office to appraise individual assets for ad valorem purposes. Instead, assessors use mass appraisal techniques to arrive at assessed values for property in their jurisdiction. Mass appraisal is the process of valuing a group of property as of a given date. The same principles followed in an individual appraisal are used, although their application differs slightly. Appraisals made on an individual basis typically involve a direct comparison between data and a single subject property. In mass appraisal, a large volume of data, including sales, income and expenses, and cost and depreciation data, are applied to a group of properties with similar characteristics.

In North Carolina, the primary recommended mass appraisal methodology for personal property is the cost approach. Personal property valuation processes and standards are established by NCDOR to promote statewide uniformity and standardization of personal property assessment. NCDOR conducts valuation studies for physical depreciation of asset types to determine factors that are published annually in the Cost Index and Depreciation Schedules. The publication includes asset types, depreciation tables, and factors by purchase year for the current year's assessment. These factors are applied to groups of similar asset types to arrive at the assessed value for business personal property returns.

Appraisal Process

The standards governing the tax appraisal process in North Carolina are the same principles and procedures that are used throughout the appraisal profession. Appraisals are developed and reported following a series of steps that help ensure all relevant information is considered and the appraiser's value estimate is credible. To achieve this result, the appraiser follows a systematic method of collecting, analyzing, and processing data into an opinion of value that is based on fact, referred to as the appraisal process.



Definition of the Problem

Defining the appraisal problem is the first step of the appraisal process. This step should eliminate any uncertainty regarding the nature of the appraisal and it consists of five functions:

1. Identify the property to be appraised.
2. Determine the property rights to be appraised.
3. Define the purpose and function of the appraisal.
4. Specify the date of the appraisal.
5. Define the type of value to be estimated.

Personal property is reported by self-declaration on an abstract or by discovery. Discovery is the process by which the assessor identifies property that has not been listed during a listing period, was substantially understated when listed, or was granted an exemption or exclusion that was not warranted. The property identity should include ownership, situs, and a description. After identification, the property rights being appraised must be defined. In most cases of personal property appraisal for ad valorem purposes, the value reflects full fee simple with an unencumbered interest, premised on the property's highest and best use. The purpose of all appraisals is to estimate value, with the function for property tax being to render a valuation consistent with North Carolina law, which will be used as the basis for assessing the property. The appraisal date for personal property in this state is established by the general statutes, January 1. The statutes also stipulate that fair market value is the type of value to be estimated.

Preliminary Survey and Planning

The second step in the appraisal process is preliminary survey and planning. This step develops a logistical plan for the appraisal. A list of necessary data and staff time to complete the appraisal must be compiled and resources allocated accordingly. In addition, the appraiser will make an estimate of the property's highest and best use and select the most reliable and applicable approach to value.

Data Collection and Analysis

After the initial plan is completed, the next step in the appraisal process is data collection and analysis. A competent appraisal is supported by data. There are three types of data to be collected and analyzed: general, specific, and comparative. General data pertains to trends involving environmental, social, economic, or governmental forces that affect property value. These trends can occur at the national, regional, and neighborhood levels. Data gathered on the subject property is specific data. The appraiser may elect to complete an onsite inspection of the property; obtain information on restrictions and easements that may affect the use and/or utility of the property; as well as gathering financial, operating and production information. Comparative data consists of physical, financial, and operating information of comparable properties that will be used in the appraisal. This includes recent sales, cost, income, and production information.

Application of Data

In the application of data step of the appraisal process, the appraiser applies the approaches to value. As the approaches are not equally useful in valuing property, the appraiser will analyze the quality and quantity of data available, along with the strengths and weaknesses of each approach. They will then determine an appropriate valuation method. Although the appraiser must *consider* each approach, they do not have to perform each approach. For example, if an appraiser is valuing a personal boat owned by an individual, it would be impossible to apply the income approach, as the boat is not producing income. However, if the boat was owned by a marina and rented on a routine basis to vacation-goers, data could be obtained and used to complete the income approach.

One must keep in mind that ad valorem taxation is based on mass appraisal. As it would be impossible for county tax personnel to appraise property on a per asset basis, the appraiser must determine the most appropriate approach to arrive at true value. The chosen approach must accurately determine market value when applied to a volume of property, and produce cost-effective results that are uniform and equitable.

Correlation/Reconciliation

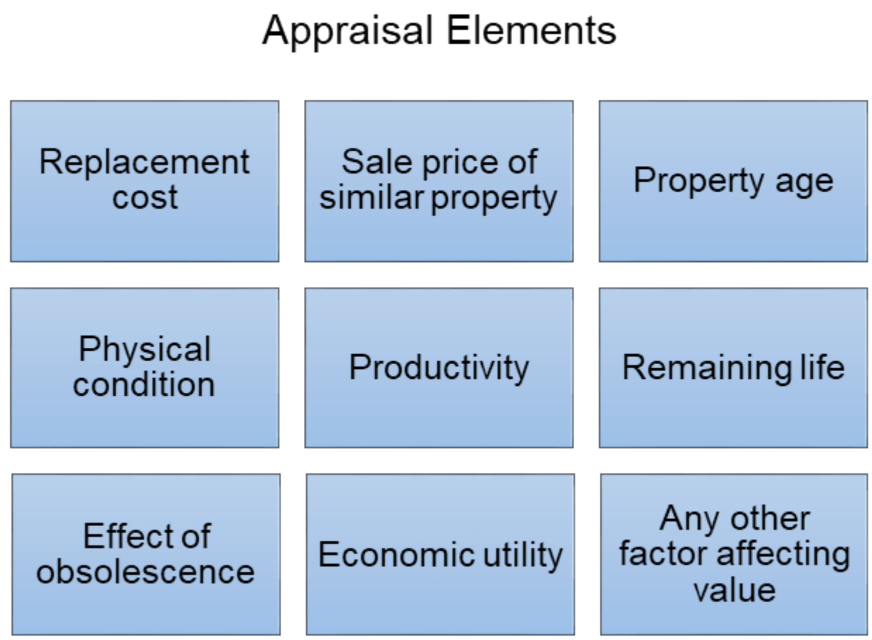
In an ideal world, the approaches to value would produce identical value estimates. However, this is rarely the case, and often, the results vary significantly. To arrive at a final estimate of value, the appraiser must reconcile the value estimates, not average the results. The appraiser should always review the purpose of the appraisal and consider the appropriateness of each approach used. This step is a rationalization process in which the appraiser examines the adequacy and reliability of the data that was made available and makes an appropriate decision on the market value based on supportable facts.

Final Value Estimate

The last step of the appraisal process is reporting the final value estimate. In this step, the appraisal is reported in a letter, a form, or a narrative. For property tax purposes, reports of values are generally pulled from the assessment software. However, in large appeal cases, a narrative report may be used for complex properties or valuing an entire business unit. While the final value estimate is an opinion of value, it must be reasonable, defensible, and based on verified data.

Appraisal Elements

G.S. 105-317.1(a) directs the county tax appraiser to consider certain elements when personal property is appraised. In doing so, the statute upholds that all property will be appraised at market value when all of the various factors that enter into the market value of property are considered.



Conclusion

There are multiple types and definitions of value. Of most importance to the county appraiser in North Carolina is true value, or market value. True value is determined utilizing a systematic appraisal process involving the collection of data and application of the three approaches to value. An appraisal by itself is nothing more than an opinion of value. The quality of the appraisal determines how useful the appraisal will be. Quality is not determined by a single factor, rather multiple factors, such as the reliability of the data; the appraiser's ethics, experience, and knowledge; and the accuracy of the calculations.

Chapter 6 Exercise

1. ______________________ represents the relationship between an object desired and a potential owner.

2. Circle the letter corresponding to the sale which best represents the true value standard established in G.S. 105-283.

    a. A farmer files for bankruptcy and is liquidating assets through a court-ordered auction. A tractor is sold and listed at a value of $5,000, an amount significantly below a published value in a pricing guide for farm equipment.

    b. A small publishing company is going digital and purchased all new, state of the art printing equipment. They sold plates from their old press to an antique dealer for a value of $2,000.

    c. The owner of a chain restaurant has decided to retire. They sell the entire business for a value of $200,000. Although the owner will be missed, the customers are very happy because the restaurant never closed during the transfer to the new franchisee.

3. What is the difference between market price and market value? Give an example.

4. The ______________________________________ principle requires that property be appraised at the most profitable use of the asset that is physically possible, legally permissible, and financially feasible.

5. What is the difference between the residual value and the salvage value of an asset?

6. The ______________________ approach is used the least when valuing personal property and requires knowledge of complex financial methods.

7. In North Carolina, the primary recommended mass appraisal methodology for personal property is the ______________________ approach.

8. The ______________________________ approach is very reliable in an active market and is an excellent approach for appraising motor vehicles, boats, trailers, recreational vehicles, and aircraft.

9. ____________________ is the process by which the assessor identifies property that has not been listed during a listing period, was substantially understated when listed, or was granted an exemption or exclusion that was not warranted.

10. True or False: During the correlation/reconciliation step of the appraisal process, the appraiser averages the estimates of value from the three approaches.

11. The appraisal date for property in North Carolina is ____________________.

12. Why are the appraisal elements set forth in G.S. 105-317.1(a) important?

7

Individual Personal Property

Non-business Property

G.S. 105-275(16) excludes non-business property from taxation. The statute defines non-business property as personal property that is used by the owner of the property for a purpose other than the production of income and is not used in connection with a business. The term includes items such as household furnishings, clothing, pets, and lawn tools and equipment. The term specifically excludes motor vehicles, mobile homes, aircraft, watercraft, and engines for watercraft. Thus, these items of non-business, or individual personal property, are taxable and will be the subject of this chapter.

Mobile Homes

According to the NC Manufactured and Modular Homebuilders Association, approximately 33% of all new single-family homes built in North Carolina are manufactured homes. We discussed the definition and classification of manufactured homes, or mobile homes, in Chapter 3. Property tax professionals tend to use the term mobile home, while the housing industry prefers manufactured home. As the names are synonymous, either is appropriate. With the percentage of these homes in this state, it is essential that counties become more uniform in listing, appraising, and assessing this property type.

Situs

The situs rules found under G.S. 105-304 apply to mobile homes. This type of property is not highly moveable; however, mobile homes are often transported outside of established protocol, making it difficult to locate the property. The mobile home is taxable where it is located on January 1 of the tax year in question. If the mobile home is moved to another jurisdiction the next day, it still remains taxable in the jurisdiction where it was located on January 1.

Listing

Mobile homes are required to be listed annually during the regular listing period. The situs, taxability, and value are determined as of January 1 of the year listed. The county should provide a listing form that allows the owner to supply sufficient information for the appraiser to determine the fair market value of the home. Also, the owner should list any additions to the mobile home, as well as decks, porches, and outbuildings that are not associated with the real property.

To aid in the listing of mobile homes, G.S. 105-316 requires every operator of a mobile home community consisting of three or more rental spaces to provide a list of all mobile home owners in the community as of January 1, along with a description of the homes. The report is due annually to the assessor by January 15. Developing positive working relationships with mobile home community managers can aid in ensuring park information is received timely and listings remain current. This is a valuable resource for making discoveries of unlisted property.

Appraisal

Mobile homes that meet the definition of real property in G.S. 105-273(13) must be appraised and assessed using the county's schedule of values from the last general reappraisal. Those that do not satisfy these requirements must be appraised and assessed as personal property. Counties should develop a schedule to appraise mobile homes based on the market in their jurisdiction. The schedule should be a part of the county's schedule of values.

Since June 15, 1976, all mobile homes in the United States have been built according to HUD building codes. Those built prior to the HUD code tend to exhibit accelerated depreciation. In addition to these older models, rental units located in mobile home parks also tend to depreciate more rapidly. Newer units have shown a tendency to appreciate over time versus depreciating over time, regardless of whether they have been listed as real property or as personal property.

There is no requirement that units listed as personal property must have a change in assessed valuation each year, or that the value depreciate. While it can be reasonably expected that values might change, the lack of sales data available for personal property can establish an argument that the change is not easily measurable over a one or two-year period. Thus, a schedule for real property units might also be duly fit for personal property units. Although the value may be stable, G.S. 105-285 requires the value of personal property to be determined annually as of January 1. Therefore, the value of mobile homes assessed as personal property must be reviewed annually. Any adjustments that are indicated by the market in a county should be recognized by the appraiser.

Manufactured homes are becoming more like real property than any other type of personal property. Counties should apply the same effort to measuring and collecting information on mobile homes as they do their real property counterparts. A property record card should be developed for each personal property mobile home and associated improvements. A unit appraisal where everything is picked up and carried on a property record card would show one value for the mobile home.

Each year, the property record cards can be compared to the listing to see if the mobile homes have been listed. Any new mobile homes can be measured and picked up for the current year. This will also aid in tracking mobile homes that are sold and the title fails to be updated, a common issue with mobile homes. Often, the mobile homes are set up without the county assessor obtaining the information needed to list and assess the home to the correct owner. In addition, VINs are unknown, making it difficult to utilize resources for verifying ownership when completing discoveries.

Counties are encouraged to develop working relationships with their county and municipal planning and inspection departments to ensure information on new set up permits is passed along to the assessor for discovery, in the event the mobile home is not listed. Appraising mobile homes in this manner will require more resources and staff time, but the appraisals will be more accurate and uniform.

Most of the counties in this state use some type of pricing guide to appraise mobile homes in their jurisdiction. Guides are based on sales of mobile homes across the country with regional adjustments. Although these guides use market data, they do not consider local conditions that may affect value, often failing to reach market value on many homes. In addition, pricing guides don't reflect a difference in value for various makes and models of homes, or consider additions and other improvements.

Historically, mobile homes have not been given as much attention as more conventional housing. The thought process is that mobile homes automatically depreciate each year as they get older. New designs, quality of construction, and demand for this type of home challenge this school of thought. Sales in counties in this state may indicate that many of the newer mobile homes do in fact appreciate over time and may need to be appraised in a manner similar to conventional housing.

Tax Permits

One of the biggest challenges county tax offices face with the taxation of mobile homes comes from the homes being moved before the taxes are paid. Collecting taxes on homes that have been moved out of the taxing county's jurisdiction become much more difficult. To protect local taxing units, G.S. 105-316.1 requires anyone other than a manufacturer or retailer to obtain a tax permit from the tax collector in which the mobile home is located prior to moving. In obtaining the permit, all taxes that are due to be paid must be satisfied. For additional information on moving permits, see G.S. 105-316.1 through G.S. 105-316.8.

Watercraft

The Machinery Act makes it very clear that watercraft and engines for watercraft are taxable. However, it does not include a definition for watercraft. Therefore, we must turn to statutes beyond the Machinery Act to define watercraft. G.S. 75A-2 defines the term *vessel* to mean, "...every description of watercraft or structure, other than a seaplane on the water, used or capable of being used as a means of transportation or habitation on the water." Using this definition, it becomes very clear that all vessels in North Carolina are taxable if they have a valid situs. This includes everything from the smallest jon boat to the largest yacht, and jet skis.

Situs

Watercraft are very mobile and many have more than one port or docking location during the year. If it is clear that the watercraft is taxable in North Carolina, the situs rules found in G.S. 105-304 apply the same as for other personal property. Difficulty comes in trying to determine if the watercraft is taxable in North Carolina or another location.

As you will recall from Chapter 4, the domicile of tangible personal property is the residence of the owner. The domicile state has jurisdiction to tax the property whether or not it is physically located in the state on the assessment date. When tangible property is removed from the owner's domicile state and becomes more or less permanently located in another state, it is taxable there. Watercraft owned by North Carolina residents are taxable at the owner's residence, unless the owner can prove that the property has acquired a taxable situs at another location. Watercraft owned by non-residents of North Carolina are taxable by the owner's state of domicile, unless the property has acquired a taxable situs in North Carolina.

The U.S. Supreme Court stated in *Southern P. Co. v. Kentucky, 222 U.S. 63,67,56 L.Ed. 96,98,32 S.Ct. 13,14* (1911) "To determine that [a ship] has acquired an actual situs in one port rather than another would involve such grave uncertainty as to result in an entire escape from taxation." In this case, the taxpayer operated seagoing merchant vessels between New York and New Orleans, New York and Galveston, and New Orleans and Havanna, Cuba. The taxpayer listed the home port of the vessels as New York, attempting to escape property taxation at its residence in Kentucky. Id. The Supreme Court found the situs to be the domicile of the owner, and it said Kentucky's tax was legal. *Id. at 75, 56 L.Ed. at 101,32 Ct at 18*. In this case, the vessel was taxable in Kentucky, even though the vessel could never actually be in Kentucky.

The North Carolina Supreme Court has also addressed the issue in *Billings Transfer Corporation v. County of Davidson, 276 N.C. 19, 34-35, 170 S.E. 2d 873, 884-885* (1969). In this case the Court ruled that the state of domicile may not tax the tangible personal property of its citizens if the property was permanently located in another state. The Court also ruled that the burden is on the owner of the property to prove that the property has acquired a tax situs in a jurisdiction other than the state of domicile.

Like mobile home parks, G.S. 105-316 requires operators of marinas, or comparable facilities, which provide dockage or storage space for three or more vessels to provide the county assessor with a list of owners of the vessels and a description of the property. This list is required to reflect the status on January 1 and the report is to be remitted by January 15. After reviewing the report, the assessor finds there are several boats that have not been listed by the owner during the listing period. The owner claims the boats are owned by an out of state corporation and therefore not taxable in North Carolina. The courts have addressed this issue in *Texas Company v. Elizabeth City, 210 N.C. 454, 187 S.E. 551* (1936). A Delaware Corporation maintained boats in Elizabeth City, North Carolina. The owner used the boats for business purposes. The court ruled that the boats were taxable in Elizabeth City.

U.S. flagged vessels that operate in international waters, or are kept in a foreign country, are taxable at the owner's state of domicile. Only when these boats acquire a tax situs in a new tax jurisdiction can another state tax them. Since a foreign country cannot tax a U.S. flagged vessel, a foreign country cannot be another taxing jurisdiction.

It must always be remembered that the domicile state has the right to tax property unless the property has acquired situs in another state. Proving watercraft has acquired a situs somewhere other than the state of domicile is difficult. There are no set rules for determining situs between two states. Each case has to be looked at individually. Following is a list of questions which can be helpful in determining the situs of watercraft.

1. How much time does the boat stay in the county?

2. Does the owner lease a boat slip in the county?
3. Is the boat used for business purposes in the county?
4. Does the owner pay property tax on the boat in another state?
5. Does the owner of the boat own any real property in the county?
6. Is the boat registered in North Carolina?
7. Is the boat documented by the U.S. Coast Guard?

Listing

Watercraft are required to be listed during the regular listing period. The situs, taxability, and value are determined annually as of January 1. The owner of the watercraft should supply the necessary information for the county appraiser to determine the fair market value of the property. Counties may also request access to the NC Wildlife Resources Commission database. This database obtains registration information for watercraft, and is especially helpful in obtaining information on motors that are often not specified by the owner on the abstract.

Appraisal

The sales comparison approach is the ideal method for appraising watercraft when there are sufficient sales. Most counties implement this approach by using pricing guides to appraise watercraft in North Carolina. These guides are based on sales of watercraft and are very similar in application to those used for appraising motor vehicles. The county listing form should request the information necessary to correctly apply whichever pricing guide is used.

Typically, the cost approach is not the best method for appraising watercraft. However, it can be used on unique vessels for which there are not enough sales to determine a market value using the sales comparison approach. The appraiser would need to trend and depreciate the original, historical cost of the watercraft.

Aircraft

As with watercraft, the Machinery Act clearly states aircraft are taxable but fails to define aircraft. Again, we must look to other statutes for guidance. G.S. 63-1 defines aircraft to mean, "…any contrivance now known, or hereafter invented, used or designed for navigation of or flight in the air." This encompasses the smallest, ultralight planes to the largest cargo holders, and even hot air balloons.

Situs

Aircraft are very mobile and present situs challenges. The rules established for situs in G.S. 105-304 apply to all aircraft that are taxable in North Carolina. The following questions can be asked to assist a county in determining where an aircraft is taxable.

1. How long has the aircraft been located in the county?
2. Does the owner of the aircraft live in the county?
3. Does the owner of the aircraft own real property in the county?
4. Does the owner of the aircraft own or lease a hanger for the aircraft in the county?
5. Does the owner pay taxes in another taxing jurisdiction?
6. Which airports are used by the aircraft and how often?
7. Is the aircraft used by a business located in North Carolina?

Like all personal property, aircraft are taxable at the owner's state of domicile unless it acquires a situs in another State. In *Texas Company v. Elizabeth City, 210 N.C. 454, 187 S.E. 551* (1936), the Supreme Court held, "The situs of personal property for purposes of taxation is ordinarily the domicile of the owner. Where, however, the owner maintains said property in a jurisdiction other than that of his domicile, in the conduct of his business within such jurisdiction, the situs of said property for purposes of taxation is its actual situs, and not that of his domicile." The exception to the general rule is now universally recognized by the courts, both federal and state.

Another case, *Bassett Furniture Industries, Inc. v. Rockingham County, 79 N.C. App. 258, 339 S.E. 2d 16, appeal dismissed, 316 N.C. 553 S.E.2d 4* (1986) involved the situs of an airplane. Bassett was a foreign corporation having no principal place of business in North Carolina, but owned a jet aircraft hangered in Rockingham County for approximately one year. The NC Court of Appeals stated, "…the stipulated facts and evidence presented by Bassett establish that the jet aircraft was "situated" or "more or less permanently located" in Rockingham County on January 1, 1984. Therefore it had a tax situs in Rockingham County on that date. Because the property acquired a tax situs in this State, imposition of the ad valorem tax does not violate the provisions of the Fourteenth Amendment to the U.S. Constitution." This case is an example of the exception to the general rule of personal property being taxable at the domicile of the owner. As with all property, if you are unsure of the taxability of the property, you may discover the property and allow the owner to appeal using remedies provided by the Machinery Act.

Listing

Aircraft are required to be listed during the regular listing period. The situs, taxability, and value are determined annually as of January 1. The owner of the aircraft should supply the necessary information for the county appraiser to determine the fair market value of the property. G.S. 105-316 also requires operators of aircraft storage facilities providing storage space for three or more aircraft to provide the county assessor with a list of owners of the aircraft and a description of the property. This list is required to reflect the status on January 1 and the report is to be remitted by January 15.

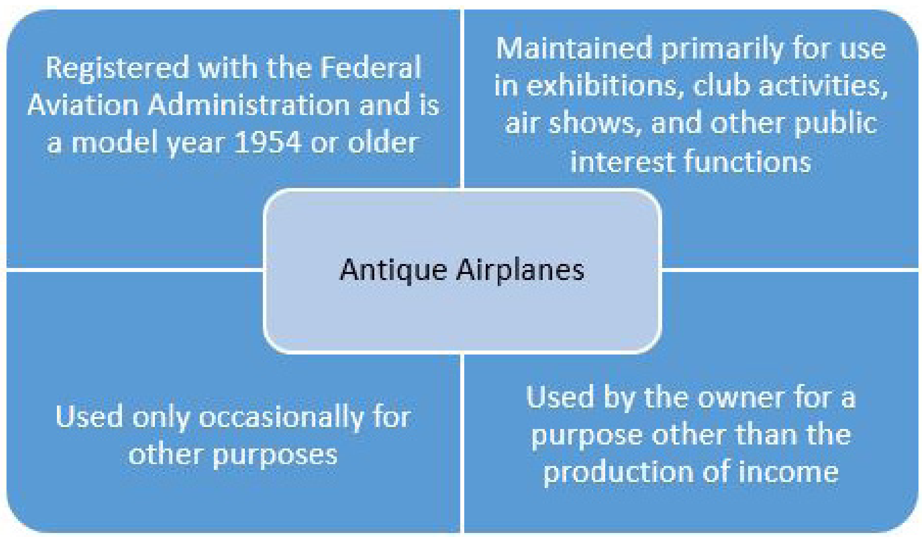
Appraisal

The sales comparison approach is the ideal method for appraising aircraft when there are sufficient sales. Most counties implement this approach by using pricing guides to appraise aircraft in North Carolina. These guides are based on sales of aircraft and are very similar in application to those used for appraising motor vehicles and watercraft. The county listing form should request the information necessary to correctly apply whichever pricing guide is used.

Typically, the cost approach is not the best method for appraising aircraft. However, it can be used on unique aircraft for which there are not enough sales to determine a market value using the sales comparison approach. The appraiser would need to trend and depreciate the original, historical cost of the aircraft.

Antique Airplanes

G.S. 105-277.12 designates antique airplanes as a special class of property under the North Carolina Constitution. This statute stipulates that an aircraft meeting the conditions shown in the following chart shall be assessed at the lower of its true value or $5,000.



Motor Vehicles

Motor vehicles are defined under G.S. 20-4.01(23) as "…every vehicle which is self-propelled and every vehicle designed to run upon the highways which is pulled by a self-propelled vehicle. Except as specifically provided otherwise, this term shall not include mopeds or electric assisted bicycles." The statutes classify certain motor vehicles, which determines how the property tax for the vehicle will be billed: by the county or through the North Carolina Vehicle Tax System (NCVTS).

NCVTS

The North Carolina Division of Motor Vehicles (NCDMV) serves as the motor vehicle collection authority for all 100 local governments of North Carolina. The NCVTS integrates with NCDMV's State Title and Registration System (STARS) and is responsible for determining vehicle values, verifying situs addresses, applying tax districts, and calculating vehicle taxes on registered, classified motor vehicles.

House Bill 1779, ratified in 2005, and signed into law under Session Law 2005-294, modified the collection process for vehicle property taxes and registration fees on registered motor vehicles in this state. The law mandates combining the payment of taxes and registration fees at the time of registration and became effective on July 1, 2013. Benefits of the changed business process include:

- Improving the vehicle billing process.
- Improving the experience for taxpayers by providing additional payment options and single bill for registration and vehicle property tax.
- Increasing revenue for the counties.
- Improving vehicle property tax collection timeframe for the counties.

A combined tax and registration notice for each registered, classified motor vehicle must be sent to the vehicle owner. The notice must contain the following:

- Appraised value
- Tax rate of each taxing unit
- Statement on appeal within 30 days of due date
- Registration fee and necessary DMV information
- Instructions for payment

Although NCDMV serves as the collection authority, they do not have access to the NCVTS. All support and training for the NCVTS is offered by NCDOR.

Classification

All motor vehicles, except those specified in G.S. 105-330.1(b), are designated a special class of property under the North Carolina Constitution. The following vehicles are those excepted under the statute:

1. Motor vehicles exempt from registration pursuant to G.S. 20-51.
2. Manufactured homes, mobile classrooms, and mobile offices.
3. Semitrailers or trailers registered on a multiyear basis.
4. Motor vehicles owned or leased by a public service company and appraised under G.S. 105-335.
5. Motor vehicles registered under the International Registration Plan.

6. Motor vehicles issued permanent registration plates under G.S. 20-84.
7. Self-propelled property-carrying vehicles issued three-month registration plates at the farmer rate under G.S. 20-88.
8. Motor vehicles owned by participants in the Address Confidentiality Program authorized under Chapter 15C of the General Statutes.

Registered Vehicles

A registered, classified motor vehicle is identified as all motor vehicles currently registered in North Carolina that have not been excepted by §105-330.1(b). These vehicles are registered on a staggered system, meaning they do not follow the same tax year as real and personal property. For new registrations, the tax year is the 12 full months following the new registration until it expires. These taxes are due on the date of the new registration. Taxpayers applying for a new registration also have the option to obtain a limited registration plate (LRP). These plates essentially defer the tax due for 60 days. However, the tax year remains the same. For registration renewals, the tax year includes the months following the previous expiration until it expires again. Renewal taxes are due on the 15th of the month following expiration and will include interest if paid untimely.

The ownership and situs are determined when an application for a new registration is submitted, or a registration is renewed. This includes untimely renewals. The license plate agency (LPA) can update the vehicle location address prior to renewal to ensure the proper tax liability is calculated. Once registered, no situs changes are permitted until the next registration. Taxpayers that are issued a LRP are bound to the situs address provided on the application for registration. If the vehicle situs changes prior to payment of the LRP tax, the new tax district will not be applied until the registration is renewed.

The valuation date is determined annually based on the registration month, using the tax rate in effect at the time the tax is computed. For January through August registrations, the valuation date is January 1 of the current calendar year. Registrations completed in September through December have a valuation date of January 1 of the following calendar year. The tax levy will not be determined until the tax is paid, with taxes being included in the levy for the fiscal year in which they are collected in.

Registered vehicles are taxed through the NCVTS. For a new issuance, the appraised value is the purchase price, minus the highway use tax. For renewals, the appraised value is the average retail value. The average retail value is a recommended value provided by NCDOR through the use of a third-party valuation company. The company compiles research from sales across the state to arrive at the recommended values. Although NCVTS assigns the value for registered vehicles, the county assessor is ultimately responsible for the accuracy of the appraisal. NCDOR, NCDMV, and license plate agencies do not have the authority to adjust values. All taxpayers should be referred to the county for valuation disputes. The counties should consider and adjust the values for factors affecting value, such as high mileage, condition, and truck bodies.

Unregistered Vehicles

Motor vehicles that are not registered as of January 1 of each year are deemed unregistered, classified motor vehicles. This includes motor vehicles which are not currently registered in North Carolina, but have a situs in North Carolina on the assessment date. In addition, vehicles that are registered in another state, but have a situs in this state, are considered unregistered for the purposes of ad valorem taxation.

Like most personal property, the ownership, situs, and valuation of unregistered vehicles are determined annually as of January 1. These vehicles are required to be listed during the annual listing period. If unlisted, and not registered during the fiscal year, the county assessor may discover the vehicle for taxation.

The county assessor is responsible for preparing and sending a tax notice for each unregistered vehicle prior to September 1, following the January 31 listing deadline. This notice must include all county and special district taxes. The tax is due on September 1 and becomes delinquent on January 6 of the following year.

Automotive Dealers

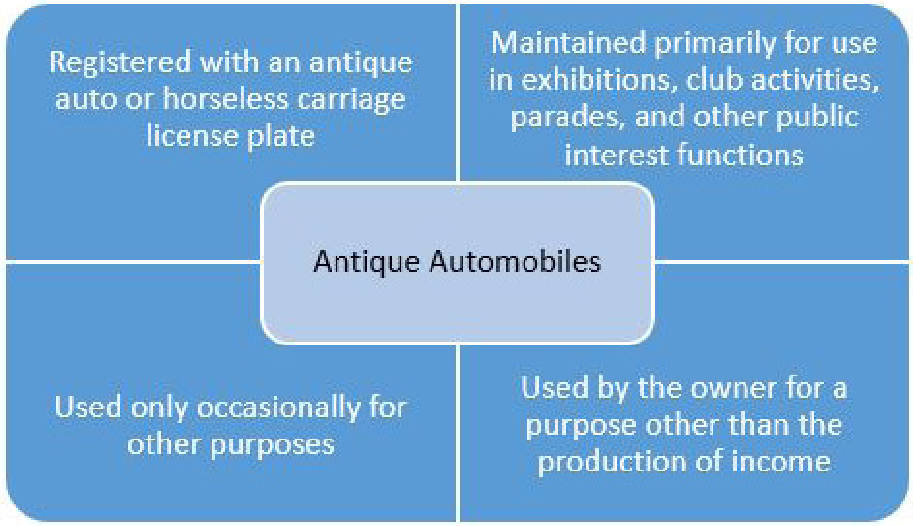
Because a motor vehicle dealer is in the business of selling motor vehicles does not necessarily mean that all vehicles owned by the dealership are held for sale. Wreckers and car carriers owned by the dealership are not part of their inventory and must be listed if they carry a dealer plate. In addition, employees using dealer tags on their personal vehicles, for personal use, would not be exempt. This may present a problem if the dealer insists that the vehicle is inventory “held for sale” and should not be listed. An important part of the inventory definition is that the property must be held for sale during the regular course of business. Some helpful questions to ask the dealer in this situation are:

1. Is the vehicle kept on the sales lot with other vehicles for sale?
2. Is the vehicle readily available at any time to be test driven?
3. When was the last time the vehicle was test driven?
4. Is the vehicle advertised for sale anywhere?
5. What is the current asking price of the vehicle?

Sometimes these questions will help the dealer understand the difference between a vehicle used for personal use and one that is actually held for sale in the regular course of business.

Antique Automobiles

G.S. 105-330.9 designates antique automobiles as a special class of property under the North Carolina Constitution. This statute stipulates that a motor vehicle that is individually owned and meets the conditions shown in the following chart shall be assessed at the lower of its true value or $500.



Conclusion

There are plenty of resources available for listing and assessing individual personal property. Non-business property has a strong market and sales data is usually obtainable. Industry pricing guides aid in the mass appraisal process. As many of these types of properties are valued using vendor software, the appraiser must take precautionary measures to ensure the values applied are consistent and accurate.

Chapter 7 Exercise

1. Mobile home park reports are due annually to the assessor by ______________________, and reflect the status of the park on ______________________.
2. The most appropriate methodology for appraising mobile homes, watercraft, aircraft, and motor vehicles is the ___________________________ approach. County tax offices typically apply this methodology by using industry ___________________________.
3. What are some of the challenges the county tax office faces in taxing mobile homes?
4. True or False: Tangible personal property that is removed from the owner's domicile state and becomes more or less permanently located in another state, is taxable at its location in the non-domiciliary state.
5. Watercraft owners should supply the necessary information on the listing form for the county appraiser to determine the ___________________________ of the property.
6. The ______________________ approach can be used to appraise unique watercraft, aircraft, and motor vehicles when sufficient sales are not available to determine the market value of the property.
7. Antique airplanes that meet the statutory requirements of G.S. 105-277.12 should be taxed at the lower of true value or ______________________.
8. ______________________ integrates with NCDMV's STARS and is responsible for determining vehicle values, verifying situs addresses, applying tax districts, and calculating vehicle taxes on registered, classified motor vehicles.
9. ______________________ vehicles are taxed through the NCVTS. The county assessor is responsible for preparing and sending a tax notice for ______________________ vehicles.
10. When is the ownership and situs of registered, classified motor vehicles determined?

8

Business Personal Property

Business Personal Property

In Chapter 3, we determined what constitutes personal property and discussed the characteristics of personal property. In this chapter, we will expand the discussion, focusing on personal property used to produce income, commonly known as business personal property. Assets in this category are taxable when owned, leased, rented, loaned, or otherwise made available to a business. A business may consist of any type of entity ownership, such as corporations, general partnerships, limited liability companies, limited liability partnerships, and sole proprietorships.

Accounting

Accounting is the system of recording and summarizing business and financial transactions and analyzing, verifying, and reporting the results. Reports are in the form of financial statements, such as the balance sheet, income statement, and depreciation schedule. A taxpayer's accounting records contain useful life and historical cost information, which the appraiser can use to assist with the valuation of the subject property.

The Machinery Act supports the use of a taxpayer's accounting records. G.S. 105-317.1 states that appraisers shall consider any information reflected in the taxpayer's records as reported on their state or federal income tax returns. In determining the true value of business personal property, the appraiser shall consider the accuracy of the accounting records, the method of accounting, and the level of trade at which the taxpayer does business.

There are guidelines that accountants follow in maintaining financial records for businesses. These guidelines are referred to as the Generally Accepted Accounting Principles (GAAP) and are established by the Financial Accounting Standard Board (FASB). It is important to remember that accounting records are maintained for reasons that may have no relationship to property tax or the fair market value of assets. The appraiser must be able to recognize these differences and make adjustments when warranted.

Basics

The basic accounting record is the account. This is a record of the changes that have occurred for a particular asset, liability, or equity during a certain time period. The accounts are grouped together in a single book called the general ledger. The phrases "booked the asset", "audit the books", or "keeping the books" refer to recording, reviewing, and maintaining the general ledger.

A company will normally have a chart of accounts which lists all accounts found in the ledger. These accounts are divided into three major groups: assets, liabilities, and capital. Assets refer to a company's resources, or things they own. Some examples of assets are cash, accounts receivable, inventory, land, buildings, equipment, and goodwill. The amount the company owes on its obligations are liabilities. This category would include loans, accounts payable, salaries and wages. Finally, the company's capital represents the owner's equity. Equity is the difference between the company's assets and liabilities.

The basic accounting equation offers a simplified view on how assets, liability, and capital relate to one another. The equation is as follows:

Assets = Liabilities + Capital

The basic accounting equation is fundamental to double-entry accounting, a bookkeeping method that tracks where a company's money comes from and where it is going. Every transaction has two entries, either a debit or a credit, to describe whether money is being transferred in or out of an account. For example, if a company sells a product, the cash account will increase while the inventory account decreases. When the equation is applied to the company's general ledger, it provides the basic data that becomes the foundation for the business' financial statements.

Balance Sheet

A balance sheet is a financial statement that reports a company's assets, liabilities, and capital as of a specific point in time. It can also be considered a statement of net worth and is based on the basic accounting equation. The balance sheet is usually prepared annually in conjunction with the business' fiscal year.

There are several items of importance to the appraiser under the asset category of the balance sheet. First, and often overlooked, is supplies. Supplies are located under the inventory section. In North Carolina, supplies used in providing a service are taxable, as long as they do not become a part of the sale of the property being sold. This would include office, beauty, medical, and janitorial supplies. In addition, spare parts, fuels, and equipment the company leases out would be taxable inventory. Next, under the asset category, you will find personal property. Personal property items appearing on the balance sheet may not be categorized in the same manner as reported on the listing form. However, the total cost of all taxable items on the balance sheet should equal the total cost reported on the listing form. Finally, the appraiser should review the balance sheet for construction in progress (CIP). This represents assets that are under construction as of January 1. Accountants typically do not capitalize interim costs associated with constructing an asset. Once construction of the asset is complete, the total cost to place the asset into production is capitalized. The accumulated cost showing in the CIP account will then be moved to the appropriate fixed asset account. Capitalization is the accounting process of depreciating the cost of an asset over the useful life of the asset.

For property tax purposes, the liabilities and capital categories on the balance sheet have little bearing. They can be used to complete the accounting equation and ensure the accounting record is in balance. It can also be used to determine the net worth of the company. If a trend were to develop showing the company's net worth was declining, it may be an indication that the company will cease operation in the near future.

Following is a sample balance sheet which displays the items discussed in this section.

Tasty Treats, Inc. **Balance Sheet** December 31, 2020	
Assets	
Current assets:	
Cash	239,550
Accounts Receivable	7,539
Inventory	
Raw Materials	6,050
Goods	4,550
Supplies	742
Total current assets	258,431
Real Property	500,682
Personal Property & Equipment	37,520
Construction in Progress	4,000
Goodwill	3,850
Total Assets	**804,483**
Liabilities	
Current liabilities:	
Accounts Payable	5,671
Accrued expenses: Salaries and wages	1,899
Unearned revenue	1,724
Total current liabilities	9,294
Long-term debt	230,000
Other long-term liabilities	5,909
Total Liabilities	**245,203**
Capital	
Equity Capital	469,000
Retained Earnings	90,280
Capital	**559,280**
Total Liabilities & Capital	**804,483**
Check	*0.000*

Income Statement

The income statement is a financial statement that summarizes the amount of revenues earned and expenses incurred by a business over a period of time. The period of time is usually the business' fiscal year.

Following is a sample income statement which displays the items discussed in this section.

Delightful Designs, LLC Income Statement January 1, 2020 - December 31, 2020	
Revenue stream 1	181,930
Revenue stream 2	20,320
Returns, Refunds, Discounts	(2,930)
Total Net Revenue	**199,320**
Cost of Goods Sold	37,630
Gross Profit	**161,690**
Expenses	
Advertising & Promotion	271
Depreciation & Amortization	1,576
Insurance	1,600
Maintenance	830
Office Supplies	410
Rent	13,500
Salaries, Benefits & Wages	36,420
Telecommunication	675
Travel	330
Utilities	2,100
Section 179 Assets	550
Other	0
Total Expenses	58,262
Earnings Before Interest & Taxes	**103,428**
Interest Expense	300
Earnings Before Taxes	**103,128**
Income Taxes	1,970
Net Earnings	**101,158**

There is one category on the income statement that the appraiser needs to review - expenses. Under the expenses category, you may find small, taxable items such as tools and supplies. In addition, the appraiser should review section 179 expenses. Section 179 refers to the section of the U.S. Code that allows a business to elect to expense certain assets purchased for use in conducting business. To expense an asset is to take the entire amount of depreciation in the current year. These items will not be included in the company's asset list. Within GAAP guidelines, companies make the determination which assets are expensed and which are capitalized. A capitalization threshold is established by the company. Purchases over a certain dollar amount, the threshold, are capitalized, while anything less is an operating expense. The IRS has established a limit of $1,000,000 in combined costs that a business can expense annually, not to exceed their taxable income.

It should be noted that the amount in the supplies expense account represents the total amount of supplies that were used during the accounting period, typically one year, where the supplies on the balance sheet represent what was on hand at a specific point in time. The appraiser would consider both figures to make a determination as to whether the taxpayer listed appropriately.

Depreciation Schedule

The most useful accounting record to the appraiser is the depreciation schedule. As assets are used, they begin to deteriorate and lose value. However, various assets lose value at different rates. The depreciation schedule is an accounting record that allows a company to track the depreciation of their long-term assets, those with a lifespan greater than one year. For property tax purposes, the depreciation schedule provides the appraiser with a list of the company's long-term assets, along with the year of acquisition and the cost.

In accounting, depreciation is used to calculate the measured expense to be taken during a specific revenue period, ordinarily one year. The depreciation expense reduces the company's net income, which lowers the company's income tax liability. Accounting depreciation is centered on cost recovery. It is an allocation process in which the asset's cost is allocated over the useful life of the asset. It is used to achieve the matching principle. This accounting principle requires companies to match expenses incurred with related revenues earned during the same reporting period. For example, if an asset has an estimated useful life of six years, the cost of the asset will be spread across the six year period, offsetting revenues earned by the company and reducing their income tax liability.

Companies determine the lifespan using IRS standards. There are several methods available to the company to calculate depreciation. Some standards allow accelerated depreciation, in which the amount of depreciation is greater in the early years of the asset versus the final years. In addition, accountants depreciate assets to a net book value of $0. The net book value of an asset represents the difference between the asset's cost and accumulated depreciation. It is important to note that net book value is an accounting value. It rarely represents fair market value and should not be used for property tax purposes.

Following is a sample depreciation schedule which displays the items discussed in this section.

Precious Pixels, Inc.
Depreciation Schedule
December 31, 2020

Fixed Assets, at cost	$	76,550
Disposals	$	(1,000)
Accumulated Depreciation as of FYE	$	(19,045)
Fixed Assets, net of depreciation, as of FYE	**$**	**56,505**

Asset	Cost	Fiscal Year put into service (yyyy)	Useful Life (in years)	Salvage Value (if other than $0)	Cost Less Salvage Value	Accum Dep 12/31/19	2020 Dep Expense	Accum Dep 12/31/20	Net Book Value
Backdrops	$ 1,000	2016	9	$ -	$ 1,000	$ 389	$ 111	$ 500	$ 500
Backdrop Stand	$ 500	2016	9	$ -	$ 500	$ 194	$ 56	$ 250	$ 250
Lighting	$ 5,000	2016	9	$ -	$ 5,000	$ 1,944	$ 556	$ 2,500	$ 2,500
Cameras (2)	$ 5,000	2016	9	$ -	$ 5,000	$ 1,944	$ 556	$ 2,500	$ 2,500
Desktop Computer	$ 750	2016	6	$ -	$ 750	$ 438	$ 125	$ 563	$ 188
Macbook	$ 1,900	2019	6	$ -	$ 1,900	$ 158	$ 317	$ 475	$ 1,425
Props	$ 900	2017	9	$ -	$ 900	$ 250	$ 100	$ 350	$ 550
Props	$ 1,000	2020	9	$ -	$ 1,000	$ -	$ 56	$ 56	$ 944
Desk	$ 1,500	2017	10	$ -	$ 1,500	$ 375	$ 150	$ 525	$ 975
Filing Cabinet	$ 300	2017	10	$ -	$ 300	$ 75	$ 30	$ 105	$ 195
Printer	$ 800	2017	6	$ -	$ 800	$ 333	$ 133	$ 467	$ 333
Office Chair	$ 400	2017	10	$ -	$ 400	$ 100	$ 40	$ 140	$ 260
Lobby Furniture	$ 1,500	2018	10	$ -	$ 1,500	$ 225	$ 150	$ 375	$ 1,125
Leasehold Improvements	$ 15,000	2019	9	$ -	$ 15,000	$ 833	$ 1,667	$ 2,500	$ 12,500
Electric Sign	$ 3,000	2020	9	$ -	$ 3,000	$ -	$ 167	$ 167	$ 2,833
Camera Digital Back	$ 30,000	2019	9	$ -	$ 30,000	$ 1,667	$ 3,333	$ 5,000	$ 25,000
Photoedit Software	$ 1,500	2017	6	$ -	$ 1,500	$ 625	$ 250	$ 875	$ 625
Reception Center	$ 3,000	2017	10	$ 120	$ 2,880	$ 726	$ 288	$ 1,014	$ 1,986
Reception Center Chairs (2)	$ 600	2017	10	$ -	$ 600	$ 150	$ 60	$ 210	$ 390
Vanity Station	$ 1,900	2018	10	$ 70	$ 1,830	$ 285	$ 190	$ 475	$ 1,425
Camera (Disposed)	$ 600	2015	9	$ -	$ 600	$ -	$ -	$ -	$ -
Lighting (Disposed)	$ 400	2015	9	$ -	$ 400	$ -	$ -	$ -	$ -
ANNUAL TOTAL	**$ 76,550**					**$ 10,712**	**$ 8,333**	**$ 19,045**	**$ 56,505**

Statewide Listing Form

As discussed in Chapter 5, the statutes authorize NCDOR to design and prescribe forms to be used for listing. NCDOR annually publishes the Business Personal Property Listing Form for use across the state. Although counties may elect to use their own forms, upon approval by NCDOR, the uniform statewide abstract must be accepted by all counties. The statewide form is reviewed each year to determine what changes are needed to remain compliant with current laws, while ensuring efficiency and ease of use for the taxpayers and counties alike.

There are several advantages to using the statewide form. It is updated and published annually by NCDOR, eliminating the need for counties to design and maintain their own forms. Multi-jurisdictional businesses can become familiar with one form versus different forms for different jurisdictions, streamlining their listing process. CPAs and tax servicing agents can purchase software that works in conjunction with their accounting systems to print populated listing forms on the statewide abstract template. Taxpayer use of the statewide form promotes more accurate listings and lessens the chance their listing will be rejected.

Careful consideration was given to the design of the statewide listing form to deliver a format that prompts the taxpayer to render adequate data. By asking the right questions on the form to obtain the necessary information from the taxpayer, appraisers save time in processing their business personal property listings.

1. **Information Block.** This section contains the pertinent information that assists the appraiser in determining the appropriate business type, situs, and contacts. It is also beneficial for the taxpayer to accurately complete this section to ensure receipt of bills and notices, and proper schedule selection based on the business description.

2. **Schedule A.** This section of the abstract provides a clear format for the taxpayer to list their business personal property by type. The various types of property are organized in the following groups and are further broken down by cost and year acquired. The prior year cost column is used to list the combined costs from all prior year acquisitions beyond the years covered by the form.

   Group (1) Machinery and Equipment

   Group (2) Construction in Progress

   Group (3) Office Furniture and Fixtures

   Group (4) Computer Equipment

   Group (5) Improvements to Leased Property

   Group (6) Expensed Items

   Group (7) Supplies

   Some counties pre-print their listing forms with the taxpayer's cost data already populated, using the previous year's listing figures. Taxpayers may then list any additions or deletions to the cost figures using the appropriate column and year. The columns are then totaled and balanced. The sum of the prior year cost and additions, minus deletions, should equal the current year cost.

   Most businesses add and/or remove property from year to year. If a taxpayer files a listing without cost figures, annotated with language such as "Same as last year" or "No changes", it is recommended that the abstract be rejected.

3. **Schedule B - Vehicular Equipment.** This section asks questions related to ownership of unregistered motor vehicles, multi-year or permanently registered trailers, special vehicle bodies, watercraft, watercraft motors, mobile homes or mobile offices that are personal property, aircraft, and short-term rental vehicles. Other than short-

term rental vehicles, if the taxpayer annotates ownership of vehicular equipment, they are directed to complete a corresponding schedule: B-1, B-2, B-3, or B-4. A quantity is required for short-term rental vehicle ownership.

4. **Schedule C – Leased Property or Other Property In Your Possession That Is Owned By Others.** This section asks questions related to possession of property that is owned by others. If answered in the affirmative, the taxpayer is directed to complete a separate Schedule C-1 by January 15. This schedule can be used to verify that the owner of the property has properly listed as required by G.S. 105-315 and 316.

5. **Schedule D - Separately Scheduled Property.** If a business owns artwork, displays, statues, or other personal property that is separately scheduled for insurance purposes, this schedule may be helpful to properly estimate the fair market value of such property, as the cost approach may not capture appreciation in value.

6. **Schedule E - Farm Equipment.** If a business, including farms operating for income, owns farm equipment, it should be indicated in this section and separately listed on Schedule E-1, or annotated that the equipment is included on Schedule A.

7. **Schedule F - Intangible Personal Property.** This section is no longer applicable.

8. **Schedule G - Acquisitions and Disposals Detail.** This section is used by the taxpayer to itemize acquisition and disposal information, along with a reminder in the column heading that original cost should be listed.

9. **Schedule H - Real Estate Improvements.** This section, if answered in the affirmative, requires the taxpayer to complete Schedule H-1 with their real property improvements and/or additions to real property. These improvements may or may not be considered leaseholds and taxable as personal property. The appraiser will need to work with the real property department to ensure taxable items are assessed, either as real or personal property.

10. **Schedule I – Billboards.** This section, if answered in the affirmative, requires the taxpayer to complete Schedule I-1 with their billboard assets.

11. **Schedule J – Leased Equipment.** This section, if answered in the affirmative, requires the taxpayer to complete schedule J-1, listing their equipment that is leased to others.

12. **Affirmation.** Careful consideration should be given to who is allowed to sign the abstract. An abstract signed improperly must be

rejected.

13. **Instructions.** This is the most important section of the abstract. Although the instructions should be concise as to what is expected in each section of the form, the appraiser must be able to explain how to list and provide examples when requested.

Following is the business personal property abstract.

PRINT CLEAR

2021

COUNTY OF WAKE North Carolina

BUSINESS PERSONAL PROPERTY LISTING

FOR DEPARTMENT USE ONLY	ACCOUNT NUMBER	DATE	TWP	DISTRICT	CITY	PENALTY	VALUE

1	2	3	4	5	6	7
8	B	D	E	F	TOTAL	

Business Legal Name or Individual's Name: PRECIOUS PIXELS, INC.

Trade Name or DBA:

Address: PO BOX 987

City: APEX State: NC Zip: 27502

PRINCIPAL BUSINESS IN THIS COUNTY: PHOTOGRAPHY STUDIO

SIC # OR NAICS CODE: 7221/541921

DATE BUSINESS BEGAN IN THIS COUNTY: 12-01-15

DATE BUSINESS (FISCAL) YEAR ENDS: 12-31-21

FILL IN APPLICABLE CIRCLE:

○ PARTNERSHIP ○ SOLE PROPRIETORSHIP ○ UNINCORPORATED ASSOCIATION ○ LLC ◉ CORPORATION ○ OTHER (SPECIFY)

OTHER N.C. COUNTIES WHERE PERSONAL PROPERTY IS LOCATED: N/A

FILL IN APPLICABLE CIRCLE: BUSINESS CATEGORY

○ RETAIL ○ WHOLESALE ○ MANUFACTURING ◉ SERVICE ○ LEASING/RENTAL ○ FARMING ○ OTHER (SPECIFY)

CONTACT PERSON FOR AUDIT: JOHN DELOITTE

ADDRESS & PHONE: 100 FIRST ST, RALEIGH, NC 27601 919-555-1212

CONTACT PERSON FOR PAYMENT & PHONE: JANE SMITH 919-555-3434

IF OUT OF BUSINESS COMPLETE THIS SECTION

DATE CEASED:

FILL IN APPLICABLE CIRCLE:

○ SOLD ○ CLOSED ○ BANKRUPT ○ OTHER

SOLD EQUIPMENT, FIXTURES, SUPPLIES TO:

BUYER'S ADDRESS & PHONE:

PHYSICAL ADDRESS: 123 MAIN ST, APEX, NC 27502

REAL ESTATE OWNED BY: COMMERCIAL ENTERPRISES

NAME IN WHICH BUSINESS WAS LISTED LAST YEAR: PRECIOUS PIXELS, INC.

NOTE: Business owners who acquired an existing business in the previous year must contact the county tax office for important listing instructions. Click on the link below for a list of county tax office phone numbers and addresses.

SCHEDULE A — PERSONAL PROPERTY - SEE INSTRUCTIONS

GROUP (1) MACHINERY & EQUIPMENT

YEAR ACQUIRED	PRIOR YR. COST	ADDITIONS	DELETIONS	CURR. YR. COST
2020		4,000		4,000
2019	30,000	0	0	30,000
2018	0	0	0	0
2017	900	0	0	900
2016	11,500	0	0	11,500
2015	1,000	0	1,000	0
2014	0	0	0	0
2013	0	0	0	0
2012	0	0	0	0
2011	0	0	0	0
2010	0	0	0	0
2009	0	0	0	0
2008	0	0	0	0
2007	0	0	0	0
2006	0	0	0	0
2005	0	0	0	0
PRIOR	0	0	0	0
TOTAL	43,400	4,000	1,000	46,400

GROUP (2) CONSTRUCTION IN PROGRESS

LIST TOTAL OF ALL PERSONAL PROPERTY EXPENDITURES IN CIP ACCOUNT ON JANUARY 1, BUT NOT INCLUDED ABOVE - ITEMIZE IN SCHEDULE G

TOTAL CIP: $ 0

GROUP (3) OFFICE FURNITURE & FIXTURES

YEAR ACQUIRED	PRIOR YR. COST	ADDITIONS	DELETIONS	CURR. YR. COST
2020		0		0
2019	0	0	0	0
2018	3,400	0	0	3,400
2017	5,800	0	0	5,800
2016	0	0	0	0
2015	0	0	0	0
2014	0	0	0	0
PRIOR	0	0	0	0
TOTAL	9,200	0	0	9,200

GROUP (4) COMPUTER EQUIPMENT

YEAR ACQUIRED	PRIOR YR. COST	ADDITIONS	DELETIONS	CURR. YR. COST
2020		0		0
2019	1,900	0	0	1,900
2018	0	0	0	0
2017	2,300	0	0	2,300
PRIOR	750	0	0	750
TOTAL	4,950	0	0	4,950

DO NOT REMIT THIS FORM TO NC DEPARTMENT OF REVENUE

County addresses and additional schedules are available at:
https://www.ncdor.gov/documents/north-carolina-county-assessors-list

Send to appropriate county tax office.

SCHEDULE A - CONTINUED

PERSONAL PROPERTY - SEE INSTRUCTIONS

GROUP (5) IMPROVEMENTS TO LEASED PROPERTY

YEAR ACQUIRED	PRIOR YR. COST	ADDITIONS	DELETIONS	CURR. YR. COST
2020		0		0
2019	15,000	0	0	15,000
2018	0	0	0	0
2017	0	0	0	0
2016	0	0	0	0
2015	0	0	0	0
2014	0	0	0	0
2013	0	0	0	0
2012	0	0	0	0
2011	0	0	0	0
2010	0	0	0	0
2009	0	0	0	0
2008	0	0	0	0
2007	0	0	0	0
PRIOR	0	0	0	0
TOTAL	15,000	0	0	15,000

GROUP (6) EXPENSED ITEMS

Capitalization Threshold ➡ 250

YEAR ACQUIRED	PRIOR YR. COST	ADDITIONS	DELETIONS	CURR. YR. COST
2020		0		0
2019	150	0	0	150
2018	0	0	0	0
2017	0	0	0	0
2016	0	0	0	0
2015	0	0	0	0
2014	0	0	0	0
2013	0	0	0	0
TOTAL	150	0	0	150

OTHER SCHEDULE A PROPERTY

Preparers of this listing form with costs to report that do not fit into any of the seven (7) groups for Schedule A should use Schedule A-1 or A-2 to report those costs. The county tax office should be contacted and made aware of this special reporting of costs prior to usage.

Do you have other schedule A property? ○ YES ◉ NO

If yes attach schedule ➡ A-1 or A-2

GROUP (7) SUPPLIES LIST COST ON HAND AS OF JANUARY 1

	COST		COST
1. OFFICE, MAINTENANCE, JANITORIAL, MEDICAL, DENTAL, BARBER AND BEAUTY SUPPLIES	140	5. RENTAL ITEMS NOT SOLD IN THE NORMAL COURSE OF BUSINESS AND NOT LISTED ELSEWHERE IN SCHEDULE A	0
2. FUELS HELD FOR CONSUMPTION	0	6. ALL OTHER MISCELLANEOUS SUPPLIES NOT LISTED ABOVE	0
3. REPLACEMENT PARTS AND SPARE PARTS	0	TOTAL	140
4. RESTAURANT AND HOTEL ITEMS SUCH AS LINENS, CLEANING SUPPLIES AND COOKWARE NOT LISTED ELSEWHERE IN SCHEDULE A	0		

SCHEDULE B

VEHICULAR EQUIPMENT & MOBILE HOMES OR MOBILE OFFICES

If you answer yes to any of questions 1-7 below, you must attach the appropriate schedule which corresponds with the equipment type listed below. If you answer yes to any of questions 1,2, 3, or 4, attach Schedule B-1, attach Schedule B-2 for watercraft, attach Schedule B-3 for mobile homes or mobile offices, and attach Schedule B-4 for aircraft. Indicate quantity of short-term rental vehicles owned for question 8.

1. Does your business own any unregistered motor vehicles? ○ YES ◉ NO
2. Does your business own any multi-year or permanently registered trailers? ○ YES ◉ NO
3. Does your business own any special bodies on vehicles? ○ YES ◉ NO
4. Does your business own any IRP (International Registration Plan) plated vehicles? ○ YES ◉ NO
   NOTE: Effective January 1, 2014, IRP plated vehicles are required to be listed with the local county tax office as part of the business personal property listing form process, unless they are already being reported as part of your Public Service Valuation with the N.C. Department of Revenue

If yes attach schedule ➡ B-1

5. Does your business own any watercraft or engines for watercraft? ○ YES ◉ NO **If yes attach schedule** ➡ B-2
6. Does your business own any mobile homes or mobile offices? ○ YES ◉ NO **If yes attach schedule** ➡ B-3
7. Does your business own any aircraft? ○ YES ◉ NO **If yes attach schedule** ➡ B-4
8. Does your business own any vehicles held for short-term rental? ○ YES ◉ NO **Quantity** ➡

SCHEDULE C

LEASED PROPERTY OR OTHER PROPERTY IN YOUR POSSESSION THAT IS OWNED BY OTHERS

N.C.G.S. 105-315 and 105-316 require every person having custody of taxable tangible personal property that has been entrusted to them by another for any business purpose, to furnish a separate list containing the name and address of the owner, along with a description of the property. If you answer yes to one of the following three questions, or are otherwise required to supply this list, **you must return the list or separate Schedule C-1 by January 15.**

1. Does your business hold any leased property owned by another party (are you a lessee)? ○ YES ◉ NO
2. Do you have any property used by your business, or in your possession, that is owned by others? ○ YES ◉ NO
3. Do you operate a mobile home park, campground, marina, aircraft storage facility, or similar business? ○ YES ◉ NO

SCHEDULE D	SEPARATELY SCHEDULED PROPERTY

1. Does your business own any artwork, displays, statues, or other personal property that is separately scheduled for insurance purposes? ○ YES ◉ NO

Please describe the items and estimated value of items if applicable.

SCHEDULE E	FARM EQUIPMENT

Does your business own any tractors, implements, bulk barns, and/or other farm equipment? ○ YES ◉ NO ☐ COST ON SCHEDULE A

If so, list and attach separate schedule E-1. If listed by cost on Schedule A, indicate above, but still include information on separate schedule E-1.

SCHEDULE F	INTANGIBLE PERSONAL PROPERTY

Session Law 2018-98 repealed the taxation of a leasehold interest in exempt real property, effective July 1, 2019. Schedule F is no longer applicable and will be reserved for future use.

SCHEDULE G	ACQUISITIONS AND DISPOSALS DETAIL

Provide acquisition and disposal details on machinery, equipment, furniture and fixtures, computer equipment, and improvements to leased property in the prior year. If there is not enough room below, attach separate Schedule G-1.

ACQUISITIONS - ITEMIZE IN DETAIL	100% ORIGINAL COST	DISPOSALS - ITEMIZE IN DETAIL	YEAR ACQUIRED	100% ORIGINAL COST
ELECTRIC SIGN	3,000	CAMERA	2015	600
PROPS	1,000	LIGHTING	2015	400

SCHEDULE H	REAL ESTATE IMPROVEMENTS

During the past calendar year, did your business make improvements and/or other additions to real property owned by your business? If yes, attach separate Schedule H-1 with information on such improvements. ○ YES ◉ NO

SCHEDULE I	BILLBOARDS - OUTDOOR ADVERTISING STRUCTURES

Does your business own any billboards, or outdoor advertising structures?
If yes, attach separate Schedule I-1 with requested information. ○ YES ◉ NO

SCHEDULE J	LEASED EQUIPMENT

Does your business lease equipment to others?
If yes, attach separate Schedule J-1 with requested information. ○ YES ◉ NO

AFFIRMATION

LISTING MUST BE SIGNED BY A LEGALLY AUTHORIZED PERSON - Please check the capacity in which you are signing the affirmation.

For Individual Taxpayers: ☐ Taxpayer ☐ Guardian ☐ Authorized Agent ☐ Other person having knowledge of and charged with the care of the person and property of the taxpayer.

For Corporations, Partnerships, Limited Liability Companies, Unincorporated Associations:

☒ Principal Officer of the Taxpayer
Title PRESIDENT

☐ Full-time employee of the taxpayer who has been officially empowered by a principal officer to list the property and sign the affirmation. Title ____________

☐ Authorized agent. If this capacity is selected, I certify that I have NCDOR Form AV-59 on file for this taxpayer: ☐ Yes ☐ No

Under penalties prescribed by law, I affirm that to the best of my knowledge and belief, this listing, including any accompanying statements, inventories, schedules, and any other information, is true and complete. (If this is signed by an individual other than the taxpayer, they affirm that they are familiar with the extent and true value of all of the taxpayer's property subject to taxation in this county, and that their affirmation is based on all the information of which they have any knowledge.)

Signature	Date	Authorized Agent Address
Jane Smith	01-30-20	

Telephone Number	Fax Number	Email Address
(919) 555-3434		JANE.SMITH@PRECIOUSPIXELS.COM

Any individual who willfully makes and subscribes an abstract listing required by Subchapter II of Chapter 105 of the North Carolina General Statutes, which they do not believe to be true and correct as to every material matter, shall be guilty of a Class 2 misdemeanor. (Punishable by imprisonment up to 60 days.)

INSTRUCTIONS – Listings due By January 31.

Commonly Asked Questions

Who must file a listing, and what do I list?

Any individual(s) or business(es) owning or possessing personal property used or connected with a business or other income producing purpose on January 1. Temporary absence of personal property from the place at which it is normally taxable shall not affect this rule. For example, a lawn tractor used for personal use, to mow the lawn at your home is not listed. However, a lawn tractor used as part of a landscaping business in this county must be listed if the lawn tractor is normally in this county, even if it happens to be in another state or county on January 1.

NCGS §105-308 reads that .."any person whose duty it is to list any property who willfully fails or refuses to list the same within the time prescribed by law shall be guilty of a Class 2 misdemeanor. The failure to list shall be prima facie evidence that the failure was willful." A class 2 misdemeanor is punishable by imprisonment of up to 60 days.

When and where to list?

Listings are due on or before January 31. They must be filed with the County Tax Department. DO NOT FILE THIS FORM WITH THE NORTH CAROLINA DEPARTMENT OF REVENUE. This form will not be accepted by the NC Department of Revenue.

A list of county tax office addresses can be found at the NC Department of Revenue's Website. https://www.ncdor.gov/documents/north-carolina-county-assessors-list

As required by state law, late listings may result in a discovery with a penalty. An extension of time to list may be obtained by sending a written request showing "good cause" to the County Assessor by January 31.

How do I list? -- Three important rules:

(1) Read these INSTRUCTIONS for each schedule or group. Contact your county tax office if you need additional clarification.
(2) If a Schedule or Group does not apply to you, indicate so on the listing form, DO NOT LEAVE A SECTION BLANK, DO NOT WRITE "SAME AS LAST YEAR". A listing form may be rejected for these reasons and could result in late listing penalties.
(3) Listings must be filed based on the tax district where the property is physically located. If you have received multiple listing forms, each form must be completed separately.

INFORMATION SECTION

Complete all sections at the top of the form, whether or not they are specifically addressed in these INSTRUCTIONS. Attach additional sheets if necessary.

(1) Other N.C. Counties where personal property is located: If your business has property normally located in other counties, list those counties here.
(2) Contact person for audit: In case the county tax office needs additional information, or to verify the information listed, list the person to be contacted here.
(3) Physical address: Please note here the location of the property. The actual physical location may be different from the mailing address. Post Office Boxes are not acceptable.
(4) Principal Business in this County: What does the listed business do? For example: Tobacco Farmer, Manufacture electrical appliances, Laundromat, Restaurant. The **SIC or NAICS** code may help describe this information, if you do not know the **SIC or NAICS code**, please write "unknown".
(5) Complete other requested business information. Make any address changes.
(6) If out of business: If the business we have sent this form to has closed, complete this section and attach any additional information regarding the sale of the property.

Schedule A

The year acquired column: The rows which begin "2020" are the rows in which you report property acquired during the calendar year 2020. Other years follow the same format.

Schedule A is divided into seven (7) groups. Each is addressed below. Some counties may have the column "Prior Years Cost" pre-printed. This column should contain the cost information from last year's listing. If it does not, please complete this column, referring back to your last year's listing. List under "Current Year's Cost" the 100% cost of all depreciable personal property in your possession on January 1. Include all fully depreciated assets as well. Round amounts to the nearest dollar. Use the "Additions" and "Deletions" column to explain changes from "Prior Yr. Cost" to "Current Yr. Cost". The "Prior Year's Cost" plus "Additions" minus "Deletions" should equal "Current Years Cost" If there are any additions and/or deletions, please note those under schedule G, Acquisitions and Disposals Detail. If the deletion is a transferred or paid out lease, please note this, and to whom the property was transferred.

NOTE: If you purchased an existing business and its assets since January 1, 2020, do not complete this listing form without first contacting the county tax office for further instructions.

COST - Note that the cost information you provide must include all costs associated with the acquisition as well as the costs associated with bringing that property into operation. These costs may include, but are not limited to invoice cost, trade-in allowances, freight, installation costs, sales tax, expensed costs, and construction period interest.

The cost figures reported should be historical cost, that is the original cost of an item when first purchased, even if it was first purchased by someone other than the current owner. For example, you, the current owner, may have purchased equipment in 2020 for $100, but the individual you purchased the equipment from acquired the equipment in 2015 for $1000. You, the current owner, should report the property as acquired in 2015 for $1000.

Property should be reported at its actual historical installed cost IF at the retail level of trade. For example, a manufacturer of computers can make a certain model for $1000 total cost. It is typically available to any retail customer for $2000. If the manufacturer uses the model for business purposes, he should report the computer at it's cost at the retail level of trade, which is $2000, not the $1000 it actually cost the manufacturer. Leasing companies must list property they lease at the retail trade level, even if their actual cost is at the manufacturer or wholesaler level of trade.

Group (1) MACHINERY & EQUIPMENT

This is the group used for reporting the cost of all machinery and equipment. This includes all store equipment, manufacturing equipment, production lines (hi-tech or low-tech), as well as warehouse and packaging equipment. List the total cost by year of acquisition, including fully depreciated assets that are still connected with the business.

For example, a manufacturer of dish washers purchased a metal folding machine in October 2020 for $10,000. The sales tax was $200, shipping charges were $200, and installation costs were $200. The total cost that the manufacturer should report is $10,600, if there were no other costs incurred. The $10,600 should be added in group (1) to the 2020 current year's cost column as an addition.

Group (2) Construction in Progress (CIP)

CIP is business personal property which is under construction on January 1. The accountant will typically not capitalize the assets under construction until all of the costs associated with the asset are known. In the interim period, the accountant will typically maintain the costs of the asset in a CIP account. The total of this account represents investment in personal property, and is to be listed with the other capital assets of the business during the listing period. List in detail. If you have no CIP, write "none".

Group (3) Office Furniture & Fixtures

This group is for reporting the costs of all furniture & fixtures and small office machines used in the business operation. This includes, but is not limited to, file cabinets, desks, chairs, adding machines, curtains, blinds, ceiling fans, window air conditioners, telephones, intercom systems, and burglar alarm systems.

Group (4) Computer Equipment

This group is for reporting the costs of non-production computers & peripherals. This includes, but is not limited to, personal computers, midrange, or mainframes, as well as the monitors, printers, scanners, magnetic storage devices, cables, & other peripherals associated with those computers. This category also includes software that is capitalized and purchased from an unrelated business entity. **Note: The development cost of software or any modification cost to software, whether done internally by the taxpayer or externally by a third party to meet the customer's specified needs is excluded and should not be reported.** This does not include high tech equipment such as proprietary computerized point of sale equipment or high tech medical equipment, or computer controlled equipment, or the high-tech computer components that control the equipment. This type of equipment would be included in Group (1) or "other".

Group (5) Improvements to Leased Property

This group includes improvements made by or for the business to real property leased or used by the business. The improvements may or may not be intended to remain in place at the end of the lease, but they must still be listed by the business unless it has been determined that the improvements will be appraised as real property by the county for this tax year. Contact the appropriate county to determine if you question whether these improvements will be appraised as real property for this tax year. If you have made no improvements to leased property write "none". Do not include in this group any Store Equipment- Group (1) or Office Furniture and Fixtures-Group (3).

Group (6) Expensed Items

This group is for reporting any assets which would typically be capitalized, but due to the business' capitalization threshold, they have been expensed. (If you are able to provide the county tax office with a detailed list of costs and a description of the assets in the Expensed Items category, please do so.) Section 179 expensed items should be included in the appropriate group (1) through (4). Fill in the blank which asks for your business' "Capitalization Threshold." If you have no expensed items write "none".

Group (7) Supplies

Almost all businesses have supplies. These include normal business operating supplies. List the cost on hand as of January 1. Remember, the temporary absence of property on January 1 does not mean it should not be listed if that property is normally present. Supplies that are immediately consumed in the manufacturing process or that become a part of the property being sold, such as packaging materials, or raw materials, for a manufacturer, do not have to be listed. Even though inventory is exempt, supplies are not. Even if a business carries supplies in an inventory account, they remain taxable.

Other Schedule A Property

This category should only be used if instructed by authorized county personnel.

SCHEDULE B VEHICULAR EQUIPMENT - ATTACH ADDITIONAL SCHEDULES IF NECESSARY

Motor Vehicles registered with the North Carolina Division of Motor Vehicles as of January 1, do not have to be listed, with the exception of Multi-Year or Permanently Registered Trailers, Special Bodies on Vehicles, and International Registration Plan (IRP) Plated Vehicles. Please answer the questions on the form to determine if you should complete and attach separate schedules B-1 for certain other vehicles, B-2 for Watercraft or Watercraft engines, B-3 for Mobile Homes or Mobile Offices, or B-4 for Aircraft.

SCHEDULE C PROPERTY IN YOUR POSSESSION, BUT OWNED BY OTHERS

If on January 1, you have in your possession any business machines, machinery, furniture, vending equipment, game machines, postage meters, or any other equipment which is loaned, leased, or otherwise held and not owned by you, a complete description and ownership of the property should be reported in this section. This information is for office use only. Assessments will be made to the owner/lessor. If you have already filed the January 15th report required by §105-315, so indicate. If you have none, write "none" in this section. If property is held by a lessee under a "capital lease" where there is a conditional sales contract, or if title to the property will transfer at the end of the lease due to a nominal "purchase upon termination" fee, then the lessee is responsible for listing under the appropriate group.

SCHEDULE D, E, F, G, AND H, please answer the questions provided on the form to determine if you need to complete and attach separate schedules E-1, G-1, or H-1 to the main business personal property listing form.

AFFIRMATION

If the form is not signed by an authorized person, it will be rejected and could be subject to penalties. This section describes who may sign the listing form.

Listings submitted by mail shall be deemed to be filed as of the date shown on the postmark affixed by the U.S. Postal Service. Any other indication of the date mailed (such as your own postage meter) is not considered and the listing shall be deemed to be filed when received in the office of the tax assessor.

Any person who willfully attempts, or who willfully aids or abets any person to attempt, in any manner to evade or defeat the taxes imposed under this Subchapter (of the Revenue Laws), whether by removal or concealment of property or otherwise, shall be guilty of a Class 2 misdemeanor. (Punishable by imprisonment up to 60 days)

Conclusion

Business personal property appraisers must possess many skills in order to effectively perform their duties. Thorough knowledge of the listing form and items required to be listed is imperative. In addition, taxpayers often need assistance listing for the first time. Appraisers must be able to interpret basic financial statements and understand their applicability to the listing form. These skills are also necessary for ensuring compliance, which will be discussed in Chapter 10.

Chapter 8 Exercise

1. Name three things the appraiser should look for on the balance sheet.

    a. ______________________________

    b. ______________________________

    c. ______________________________

2. Using the balance sheet for Tasty Treats, Inc. in this chapter, what is the total amount of taxable personal property shown? ______________

3. Appraisers should review the ______________ category on the taxpayer's income statement.

4. When a taxpayer takes the entire amount of an asset's depreciation in the current year, the asset is said to be a ______________.

5. The ______________ is established by a company and used to determine whether an asset is expensed or capitalized.

6. Using the income statement for Delightful Designs, LLC in this chapter, what is the total amount of taxable personal property shown? ______________

7. The most useful accounting record to the appraiser is the ______________.

8. Why is the depreciation schedule important to a property tax appraiser?

9. Use the depreciation schedule for Precious Pixels, Inc. in this chapter to determine the cost of the following:

    a. Computer equipment purchased in 2016 ______________

    b. All disposed assets ______________

    c. All fixed assets that should be reported ______________

10. What schedule would need to be completed by a taxpayer that owns a mobile office? ______________

11. The appraiser should ______________ the abstract if it is signed improperly.

12. Use the listing form for Precious Pixels, Inc. in this chapter to determine

the following:

a. The first year the business was required to file a listing ____________

b. Total reported cost for furniture and fixtures ______________________

c. The company's capitalization threshold __________________________

9

Valuation of Business Personal Property

Cost Approach

The cost approach is the most widely used approach to valuing business personal property. It is calculated in a manner that gives consideration to both inflation and depreciation in arriving at a final estimate of value. The cost approach lends itself to mass appraisal and can be readily applied using the information submitted on annual property tax listing forms.

The cost approach arrives at an estimate of value by trending the cost of an asset to determine the replacement or reproduction cost new, then reducing that cost to account for depreciation. To utilize the cost approach for mass appraisal of business personal property, the appraiser must determine the following elements:

1. Appropriate starting cost
2. Replacement or reproduction cost new as of the assessment date
3. Total economic life of the property
4. Depreciation

Starting Cost

The term *cost* refers to the amount that has to be paid or given up in order to obtain something. In accounting, there are many different types of costs, so it is important to understand which cost is appropriate to use as a starting point for property tax appraisal purposes, and to communicate that cost to the taxpayer.

In personal property appraisal, cost may be thought of as a full economic cost. This includes all costs associated with constructing an asset and making it ready for its intended use. These costs can be classified as direct or indirect. A direct cost represents costs directly associated with the construction of the asset. Some examples of direct costs are labor, materials, storage, utility installation, and building permits. An indirect cost represents a general cost not directly tied to the asset's construction. Examples of indirect costs are architectural and engineering fees, surveys, environmental studies, insurance, interest on construction loans, sales tax, and consulting and legal fees.

Asset owners sum all of the direct and indirect costs of the installed asset into one figure - the capitalized cost. This cost is used for calculating depreciation for income tax purposes. The capitalized cost can be found in the taxpayer's accounting records on their depreciation schedule or fixed asset list. As these costs are readily available, they tend to coincide with the costs listed for property tax purposes.

The historical cost is the appropriate starting point for the cost approach. It signifies the initial, installed cost of a new asset to its initial user. This cost tends to be most reliable as it isn't subject to influence from later sales transactions. When assets are purchased new, this cost typically matches the capitalized cost found in the owner's accounting records.

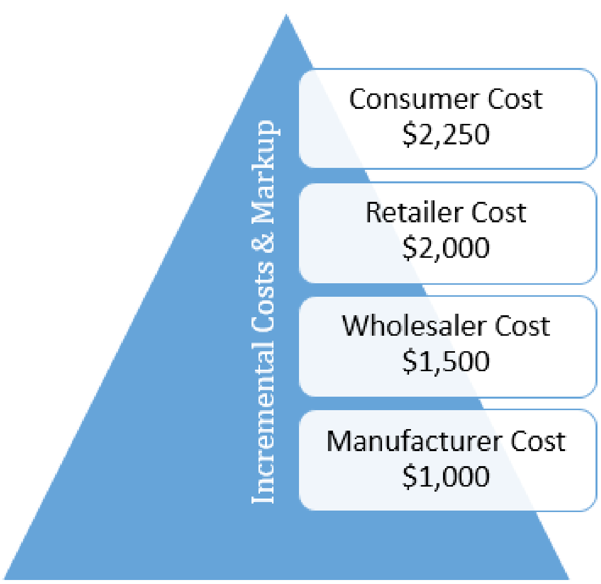
Original cost is the cost as reported by the current owner of the asset. This cost figure may not represent the historical cost. Appraisers should make every effort to obtain the historical cost from the current owner. However, original cost may be the only cost available. In the case where historical cost is unknown, the appraiser may have to research to determine if the purchase was the result of a transaction that is not arms-length. This is very prevalent when an entire business operation is purchased. Accountants will assign an allocated cost to each asset. These allocated costs rarely represent true market value. Additional methodologies may need to be applied in these cases.

Trade Level

As discussed, the appraiser should use the historical cost of an asset as a starting point in the cost approach, and the historical cost should include all costs necessary to bring the asset into use. However, the appraiser must also confirm that the historical cost is being listed at the consumer level of trade.

The trade level concept is based on the principle that property normally increases in value as it progresses through production and distribution channels. There are four levels of trade which property moves through during its life. Those levels are manufacturer, wholesale, retail, and consumer. The property achieves its maximum value as it reaches the consumer level. It is only at this level that assessment is uniform and equitable.

There are manufacturers who use and consume the product that they produce or create. An example of this would be a computer manufacturer who uses computers that they manufactured in their own company business offices. The cost that should be listed by the manufacturer is the retail cost of the equipment sold at the consumer level, not the manufacturer's cost to produce the property. Each level has incremental costs and markup, as shown in the graphic that follows.



The computer costs the manufacturer $1,000 to produce. They use the computer in their sales office and list the computer at their historical cost of $1,000. A wholesaler purchases a lot of these same computers from the manufacturer at a cost of $1,500 each. They keep one of the computers for their distribution office manager and list that computer at their historical cost of $1,500. A retailer purchases a few of these same computers from the wholesaler at a cost of $2,000 each. They keep one to use in their purchasing department and list it at a historical cost of $2,000. Finally, an accountant purchases the same computer from the retailer for their firm and lists the computer at their historical cost of $2,250. Each of the four computers used in the business process are being assessed at completely different amounts. To ensure equity in assessment, the appraiser must confirm that the cost reported is at the consumer level of trade. Each of the entities should list a historical cost of $2,250.

Replacement vs. Reproduction Cost

The next element to be determined for the cost approach is the replacement or reproduction cost new. Replacement cost new is the cost required to replace the asset with a new asset of like utility. Reproduction cost new is the cost required to replace the asset with an exact replica. Reproduction cost new is very seldom used in the valuation of business personal property due to advancements in technology. Therefore, we will focus our discussions on replacement cost new.

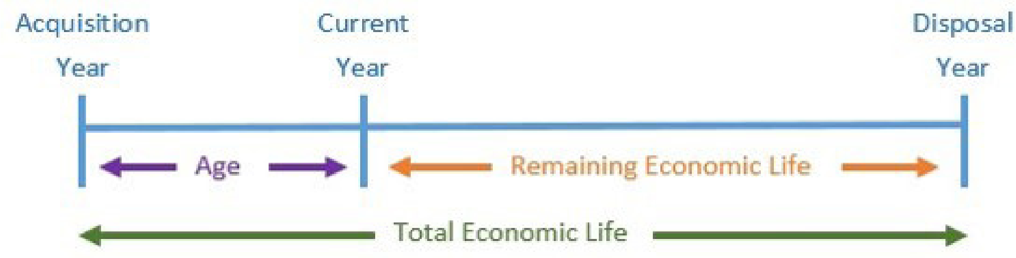
Calculating the replacement cost new of an asset takes the approach that the current selling cost new of an asset can be estimated using standard cost indices. This approach requires knowledge of the historical cost and date of acquisition of the asset. The indices measure the rise or fall in prices for various categories of equipment. A trend factor is created for each class of assets. It is calculated by dividing the index of the appraisal date by the index as of the date of acquisition. This factor is then multiplied by the historical cost to arrive at the replacement cost new of the asset. This process is referred to as *trending*.

Replacement Cost New = Historical Cost x Trend Factor

Economic Life

The total economic life is the next element to be determined in completing the cost approach. It is needed to complete an estimate of remaining economic life to calculate depreciation for an asset. The total economic life, or useful economic life, is the period during which an asset can reasonably be expected to have utility for the purpose for which the equipment was purchased. The life is based on normal conditions and does not always equate to the physical life of the asset. For example, the total economic life of a cell phone may only be 2 to 3 years, while the phone has a very slow rate of physical deterioration and can physically last for a very long period of time. The remaining economic life of an asset is the difference between the total economic life and the age of the property.

Remaining Economic Life = Total Economic Life - Age



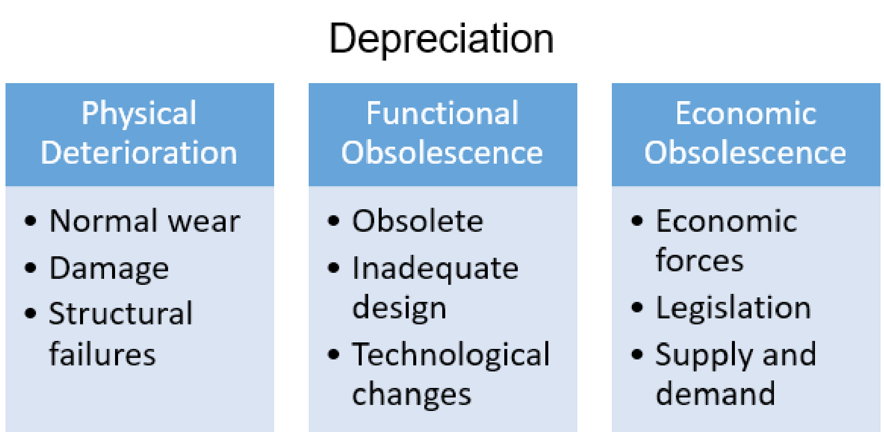
Under the mass appraisal system, the appraiser chooses the dominant type of property when selecting the total economic life. In North Carolina, estimated economic lives are published in the NCDOR Cost Index and Depreciation Schedules. If the life is disputed by the taxpayer, the appraiser may need to make adjustments for extraordinary conditions, or complete a site visit to assess the condition of the property.

Frequently, business personal property will continue to have utility beyond its original anticipated useful life. Under the going concern concept, equipment will retain value regardless of age or condition as long as it is still in use. This value is referred to as the residual value and it usually represents approximately 25% of the replacement cost new.

Depreciation

The final element to be determined for use in the cost approach is an estimate of depreciation. In appraisal, depreciation is the loss in value from all causes. It represents the difference between replacement cost new and true market value. For accounting purposes, depreciation is a means of cost recovery. It does not contribute to estimating true value.

Generally, there are three types of depreciation, as shown in the following chart.



Physical deterioration and functional obsolescence may be curable or incurable. Curable describes depreciation that is temporary, in which the cost to cure, or repair, the asset does not exceed the value of the asset. Depreciation is incurable when the cost to cure the asset exceeds the value of the property. Incurable depreciation is permanent. For example, a vehicle is worth \$10,000 and needs \$500 to repair a dent in the passenger door. This type of physical deterioration is curable, as the cost of the repair does not exceed the value of the vehicle. Now, consider a vehicle that is worth \$10,000 and after being totaled, needs \$11,000 to repair. This type of physical deterioration is incurable, as the cost to cure exceeds the value of the vehicle and is not economically justified. This same concept is applicable to functional obsolescence. If the cost to cure a computer that needs new software is less than the value of the computer, the functional obsolescence is curable. If the same computer won't run the software because it is too outdated, the functional obsolescence would be incurable. In contrast, economic obsolescence is seldom curable, as the impairment arises from forces outside of the property.

Appraisers are more concerned with the value of an asset that remains versus the value that has been lost from depreciation. Percent good represents the portion of value that remains in an asset compared to when it was new. In mass appraisal, percent good factors are used to estimate depreciation. They are the complement of depreciation, meaning, if a property has depreciated by 30 percent, it is 70 percent good. Percent good is calculated by dividing the remaining economic life of an asset by the total economic life.

Percent Good = Remaining Economic Life ÷ Total Economic Life

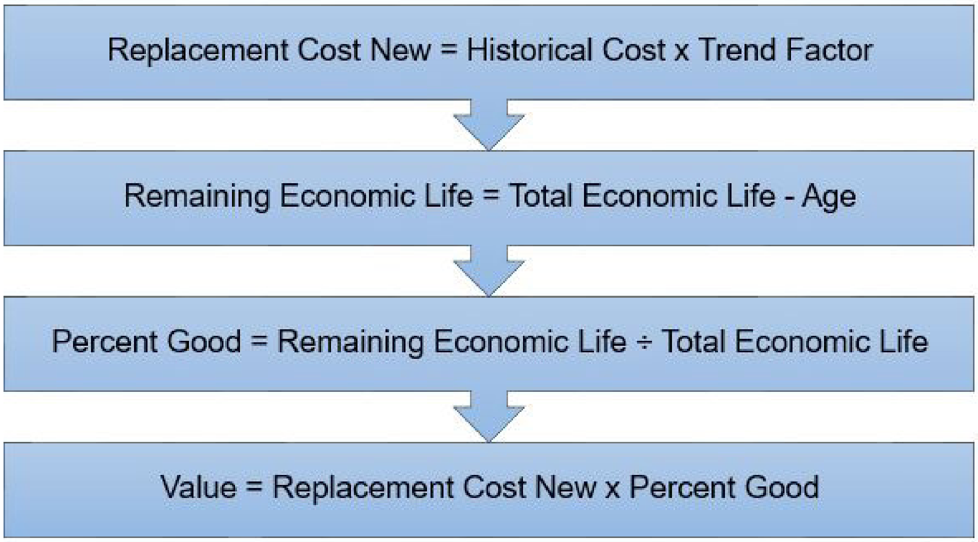
Age/Life Method

The final estimate of value is determined by taking the replacement cost new of the asset and subtracting depreciation. The age/life method of calculating the cost approach uses this same concept, with the exception of applying a percent good in place of subtracting depreciation. Essentially, it arrives at the value remaining versus the value lost. In applying this method, value is calculated as the replacement cost new multiplied by the percent good.

Value = Replacement Cost New x Percent Good

We have covered each of the elements necessary to make an estimate of value using the cost approach. Let's put the elements together and work through an example.

Age/Life Method



Example

An asset has a historical cost of $100,000. It has a 10 year life and is 5 years old. The trend factor is 1.10. Calculate the value of the asset using the Age/Life Method.

1. Calculate the replacement cost new of the asset by multiplying the historical cost by the trend factor.

   RCN = $100,000 x 1.10

   RCN = $110,000

2. Calculate the remaining economic life by subtracting the age of the asset from the total economic life.

   REL = 10-5

   REL = 5

3. Calculate the percent good by dividing the remaining economic life by the total economic life.

   % Good = 5/10

   % Good = 0.5

4. Calculate the value by multiplying the replacement cost new by the percent good.

   Value = $110,000 x 0.5

   Value = $55,000

One final note - when appraising property using the cost approach, if additional obsolescence is warranted, it should be applied after determining replacement cost new less depreciation using the age/life method. Using the previous example, assume the asset suffered from economic obsolescence in the amount of 10%. After calculating the value of $55,000, the appraiser would subtract an additional 10%, or $5,500, to arrive at a final value estimate of $49,500.

Cost Index and Depreciation Schedules

NCDOR annually prepares a set of schedules to be utilized in the valuation of personal property. They are based on the cost approach to value. With the exception of farm equipment, the Cost Index and Depreciation Schedules are a recommendation for business personal property tax valuation in North Carolina. They are supported by the court system. In fact, legislation was passed that required the use of the NCDOR schedule when valuing farm and ranch machinery and equipment.

As a general rule, the useful life schedules in the cost index represent the midpoint of asset depreciation ranges extracted from publications of the Internal Revenue Service. The schedules are intended to be used as a guide and will serve as beneficial tools in the appraiser's effort to maintain uniformity in the appraisal of business personal property within a taxing jurisdiction. If the schedules are applied by all counties, then uniformity will be achieved statewide.

The cost index consists of tables that incorporate trend factors and depreciation percentages to appraise business personal property. The resulting figure is a composite conversion factor, which combines the trend factor and the amount of allowable straight-line depreciation based on the vintage year of the asset. They are expressed in this manner to eliminate additional mathematical computations in the appraisal process. These factors are labeled in the cost index as the *percent good factors*. The term *percent good* represents the remaining percentage of replacement value new after depreciation.

When the percent good factor is multiplied by the historical cost, a value estimate is produced. It is very important to remember that the trend factors that are shown in the cost index have already been calculated into the percent good factors. Therefore, you do not apply the trend factor a second time. When utilizing the schedules, the appraiser should always use the historical, installed cost of an asset at the consumer level of trade.

In cases where additional depreciation is warranted, changes may need to be made to the final value estimate derived from utilization of the cost index. The appraiser will make a judgment call based on the documentation and evidence that the taxpayer provides in support of a value reduction. There may also be classes of property not identified in the schedules. In these situations, the appraiser will use their best judgment in order to determine the proper schedule to arrive at fair market value.

Cost Index Appraisal

- Look up the equipment category to determine the appropriate schedule.
- Turn to the schedule and determine the percent good factor.
- Calculate the value by multiplying the historical cost by the percent good factor.

Example

A taxpayer listed commercial dry cleaning equipment at a historical cost of $100,000 that they acquired in 2015. What is the value of this equipment on January 1, 2021?

1. Using the cost index, look up the dry cleaning category to determine the appropriate schedule and life.

NCDOR NC Department of Revenue
Local Government Division | Personal Property Section
2021 Cost Index and Depreciation Schedules

MAJOR CATEGORY	Page	Schedule	Life
DRILLING EQUIPMENT (GAS, PETROLEUM & WATER)			
Exploration and Drilling Equipment. Includes water activated well drilling equipment that is mounted on vehicles.	17	A	6
DRONES	18	B	5
DRY CLEANING AND LAUNDRY EQUIPMENT			
Self-Serve (Coin/Card Operated)	18	B	6
Commercial	18	B	10
Leased and Rented Linens and Uniforms	24	N	2

2. Turn to Schedule B on page 18 and locate the 10 year life column. Use the 2015 acquisition year to find the intersection point with the useful life column and determine the percent good factor.

NCDOR NC Department of Revenue
Local Government Division
Personal Property Section
Index Page 18
Effective 1/1/2021

Schedule B Valuation Table
Historical (Original) Cost
Percent Good Factors

Year Acq'd	Age	Trend Factor	3	5	6	7	8	10	11	12	20	25
			Life in Years									
2020	1	1.00	67	80	83	86	87	90	91	92	95	96
2019	2	1.03	34	62	69	73	77	82	84	85	93	95
2018	3	1.05	5	42	53	60	66	74	77	79	89	92
2017	4	1.08		25	36	46	54	65	69	72	86	91
2016	5	1.09			25	32	40	55	59	63	82	87
2015	6	1.10				25	[illegible]	44	48	55	77	84
2014	7	1.12					25	34	40	47	73	81

3. Value = Historical Cost x Percent Good

   Value = $100,000 x 0.44

   Value = $44,000

Income Approach

The income approach is the least recognized approach to valuing business personal property. It defines value as the present worth of future benefits arising from ownership of a property. There are two commonly used ways to apply the income approach to machinery and equipment valuation, gross income multipliers and capitalization of net income. These methods use a multiplier or rate to represent the relationship between the property's potential to produce income and the value of the property.

Gross Income Multiplier

A gross income multiplier is derived by comparing the sales price of similar properties to their gross incomes. By analyzing sales and rentals of equipment comparable to the subject property, a representative multiplier can be developed. The multiplication of this factor by the rental income of the subject asset will yield an estimation of value. The gross income multiplier is calculated by dividing the comparable property's sale price by its gross annual rent. The multiplier is then multiplied by the gross annual rent of the subject to determine the value.

Gross Income Multiplier = Sale Price ÷ Gross Annual Rent

Value = Subject's Gross Annual Rent x Gross Income Multiplier

Example

Clean Carpets, Inc. sells and leases commercial carpet cleaning machines. You must appraise a machine that generates $20 per month in gross rent. Your research has found the following sales and income information for comparable machines. What is the value of the subject carpet cleaning machine?

Comparable	Sale Price	Gross Annual Rent
A	$4,000	$250
B	$4,560	$285
C	$3,520	$220

1. Determine the gross income multiplier for each comparable property by dividing the sale price by the gross annual rent.

GIM (A) = $4,000 ÷ $250 = 16

GIM (B) = $4,560 ÷ $285 = 16

GIM (C) = $3,520 ÷ $220 = 16

2. Calculate the annual gross rent of the subject machine by multiplying the monthly rent by 12.

   Gross Annual Rent = $20 x 12 months = $240

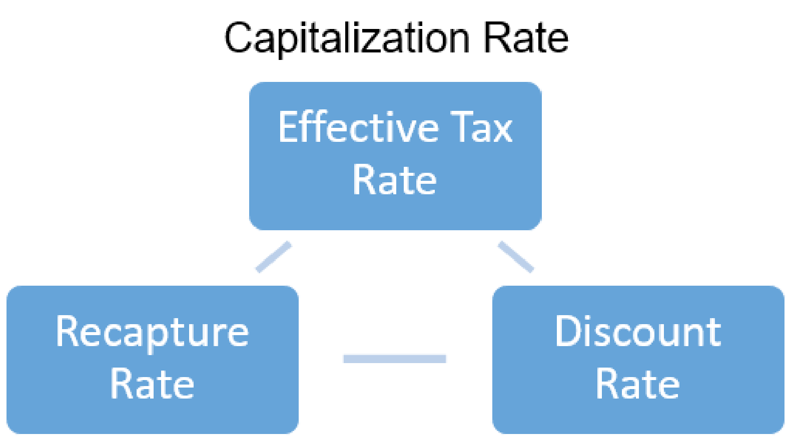
3. Calculate the value by multiplying the subject's gross annual rent by the gross income multiplier.

   Value = $240 x 16

   Value = $3,840

Direct Capitalization

Direct capitalization is a method that converts a year of net income into an estimate of value by using a capitalization rate. A capitalization rate is a rate used to convert estimated future income into an estimate of true market value. It is the annual rate of return that is expected to be generated by a property. The rate is comprised of three components: the effective tax rate, the recapture rate, and the discount rate.



As discussed in Chapter 2, the effective tax rate is the tax rate expressed as a percentage of market value. It is calculated by multiplying the nominal tax rate by the jurisdiction's assessment level. The recapture rate recognizes the return <u>of</u> the investment, or capital recovery. The discount rate measures the return <u>on</u> the investment, or the investor's compensation for the investment.

When utilizing the direct capitalization method, the appraiser must also determine the annual net operating income. The net operating income is the result of the gross operating income less expenses. Once the annual net operating income and capitalization rate are established, the income approach formula can be applied to arrive at an estimate of value. Value is calculated by dividing the net operating income by the capitalization rate. The income approach formulas are as follows.

Capitalization Rate = Effective Tax Rate + Recapture Rate + Discount Rate

Net Operating Income = Gross Operating Income – Expenses

Value = Net Operating Income ÷ Capitalization Rate

Example

The Tool Shed is a construction equipment leasing company. You must appraise a skid steer loader that rents for $850 per month, and has expenses of $40 per month. The overall capitalization rate for this type of personal property is 18%. What is the value of the skid steer loader?

1. Convert the monthly rental income into an annual figure by multiplying the monthly rent by the number of months in a calendar year.

   GOI = $850 x 12 months

   GOI = $10,200

2. Convert the monthly expense amount into an annual figure by multiplying the monthly expense by the number of months in a calendar year.

   EXP = $40 x 12 months

   EXP = $480

3. Calculate the net operating income by subtracting the annual expenses from the gross operating income.

   NOI = $10,200 - $480

   NOI = $9,720

4. Calculate the value of the asset by dividing the net operating income by the capitalization rate.

   Value = $9,720 ÷ 0.18

   Value = $54,000

Sales Comparison Approach

The sales comparison approach relates the estimated value of a subject property to similar properties recently sold within the same market. The sales prices of the comparable properties are adjusted to reflect the time, condition and variances between the comparable properties and the subject property. The resulting adjusted sales prices of the comparable properties may be used to estimate the value of the subject property.

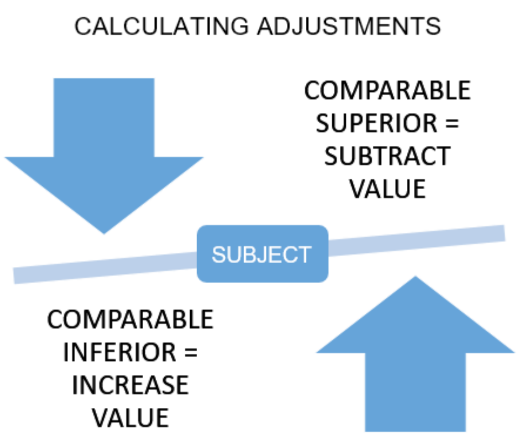
Order of Adjustments

When calculating adjustments in the sales comparison approach, adjustments are always made to the comparable properties, not the subject. In addition, there are specific requirements for the order of adjustments. First, although not common in business personal property appraisal, is an adjustment for financing. Next, the appraiser must adjust for time. Finally, the appraiser may make adjustments for all other factors. Some examples of other adjustments necessary are location, physical condition, productivity, age, size, and capacity.

Paired Sales Method

The most common appraisal technique for valuation using the sales comparison approach is the paired sales method. This method is used to find the value of a particular characteristic of a property. The appraiser finds two recently sold properties that are identical, with the exception of the specific characteristic measured, and calculates the difference in sales price. This difference represents the amount of the adjustment for that particular characteristic. Adjustments can be made on the basis of either a percentage or a dollar amount.

If the comparable property is inferior to the subject for the characteristic being evaluated, the appraiser should increase the value of the comparable property to be in line with the subject property. If the comparable property is superior to the subject for the characteristic being evaluated, the appraiser should decrease the value of the comparable property to be in line with the subject property. This process adjusts the variations in depreciation and makes the comparable property equivalent to the subject property for the characteristic being evaluated.



As there are no set formulas for calculating the adjustments and the resulting valuation, we will demonstrate the process through application.

Example

Peakway Publishing purchased a binding machine in January 2021 that is in average condition. You must appraise the machine using the market sales shown. All of the sales took place after the assessment date and none of the sales had special conditions to consider.

Comparable	Condition	Sale Date	Sale Price
A	Good	March 2021	$11,000
B	Average	March 2021	$7,500
C	Good	July 2021	$10,100

1. Since there is no adjustment indicated for financing, the appraiser must first adjust for the time variance between the sales. Comparable A and C are identical other than the sale date. We will pair these two sales to calculate the decrease in value for time.

Comparable	Condition	Sale Date	Sale Price
A	Good	March 2021	$11,000
B	Average	March 2021	$7,500
C	Good	July 2021	$10,100

   Decrease in Value = Comparable A Sale Price – Comparable C Sale Price

   Decrease in Value = $11,000 - $10,100

   Decrease in Value = $900

2. To calculate our time adjustment, we must determine the amount of decrease per month. To calculate this figure, we divide the total decrease in value for time by the number of months between the two sales, in this case, four months.

   Time Adjustment = Decrease in Value ÷ Time Period

   Time Adjustment = $900 ÷ 4

   Time Adjustment = $225 per month

3. Next, we must adjust the sales price of the comparable properties by our time adjustment. As all three sales took place after the assessment date, and it is assumed that the asset is depreciating, the comparable properties would be considered inferior to the subject due to the additional months of physical wear and tear. Therefore, the value must be increased to make it comparable to the subject property.

Comparable	Sale Date	Sale Price	Time Variance	Time Adjustment	Time Adjusted Sale Price
A	March 2021	$11,000	2 Months	+ $450	$11,450
B	March 2021	$7,500	2 Months	+ $450	$7,950
C	July 2021	$10,100	6 Months	+ $1,350	$11,450

4. After determining the time adjusted sale prices, we now calculate all other adjustments. For this appraisal, we must make an adjustment for condition. Comparables A and B are identical other than the condition. We will pair these two sales to calculate the decrease in value for condition. This figure represents the condition adjustment.

Comparable	Condition	Sale Date	Sale Price
A	Good	March 2021	$11,000
B	Average	March 2021	$7,500
C	Good	July 2021	$10,100

Decrease in Value = Comparable A Sale Price – Comparable B Sale Price

Decrease in Value = $11,000 - $7,500

Decrease in Value = $3,500

5. Next, we must adjust the sales price of the comparable properties by our condition adjustment. Comparable B is in average condition, the same as our subject, so no adjustment is necessary. Comparables A and C are in good condition, which would be considered superior to our subject. Therefore, their values must be decreased to make them comparable to the subject property.

Comparable	Condition	Time Adjusted Sale Price	Condition Adjustment	Final Adjusted Sale Price
A	Good	$11,450	- $3,500	$7,950
B	Average	$7,950	$0	$7,950
C	Good	$11,450	- $3,500	$7,950

6. After calculating the final adjusted sale prices, the appraiser analyzes the comparable sales to determine the appropriate sale to use for valuing the subject property. As Comparable B had the least amount of adjustments, we can conclude that this sale is most representative of our subject property.

Comparable	Sale Price	Time Adjustment	Time Adjusted Sale Price	Condition Adjustment	Final Adjusted Sale Price
A	$11,000	+ $450	$11,450	- $3,500	$7,950
B	$7,500	+ $450	$7,950	$0	$7,950
C	$10,100	+ $1,350	$11,450	- $3,500	$7,950

The value of the subject binding machine is estimated at $7,950.

Conclusion

The three approaches to valuing business personal property are cost, income and sales comparison. The cost approach uses a process of trending to arrive at replacement cost new, then subtracts depreciation for a final value estimate. NCDOR's Cost Index and Depreciation Schedules provide a useful guide for making these calculations. Usage of the cost index promotes equity in assessment not only in the appraiser's jurisdiction, but across the state. The income approach converts a property's income stream into an estimate of market value using multipliers and capitalizing net income. The sales comparison approach uses paired sales to determine a change in value for characteristics such as time, location, age, and condition. When adjusting sales prices of comparable properties, the appraiser can arrive at a value estimate for a subject property.

The nature of a property, its market, and the availability of data typically indicate the appropriate approach to use when valuing business personal property. The appraiser must analyze all data available on a subject property and utilize the most applicable approach.

Chapter 9 Exercise

1. True or False: When valuing business personal property, the appraiser should only consider the direct costs as a starting point in the cost approach.
2. Costs on a business personal property abstract should be listed at the ______________________ level of trade.
3. For appraisal purposes, ______________________ is a loss in value from all causes.
4. Counties are required to use the NCDOR Cost Index and Depreciation Schedules when valuing what type of property using the cost approach?

   ____

5. What is the total appraised value of the following property? ____________

Property Class	Historical Cost	Trend Factor	Life	Age
Machinery	$575,000	1.10	10	4
Furniture	$130,000	1.06	10	6
Computers	$85,000	1.01	5	3

6. Peak City Bank listed the following property on their 2021 listing form. Complete the chart below using the NCDOR Cost Index and Depreciation Schedules.

Asset	Historical Cost	Year Acquired	Schedule	Value
ATM Machines	$45,000	2017		
Portable Vault	$70,000	2005		
Check Scanners	$2,150	2017		
Closed Circuit TV	$3,800	2015		
			Total Assessed Value	

7. Potter Paving LLC is a highway construction company. They listed the following property on their 2021 listing form. Complete the following chart using the NCDOR Cost Index and Depreciation Schedules.

Asset	Historical Cost	Year Acquired	Schedule	Value
Drag Line	$600,000	2005		
Portable Asphalt Batch Plant	$980,000	2017		
General Machinery	$2,500,000	2015		
Computers	$16,500	2019		
Office Furniture	$3,800	2015		
			Total Assessed Value	

8. Power Washers, Inc. sells and leases commercial pressure washing machines. You must appraise a machine that generates $150 per month in gross rent. Your research has found the following sales and income information for comparable machines. What is the value of the subject pressure washing machine?

Comparable	Sale Price	Gross Annual Rent
A	$12,160	$1,900
B	$11,375	$1,750
C	$11,220	$1,700

9. Little Green Tractor Co. is a heavy equipment leasing company. You must appraise a tractor that rents for $1,100 per month, and has expenses of $90 per month. The overall capitalization rate for this type of personal property is 5%. What is the value of the tractor? ____________________

10. Lush Lawns LLC purchased a zero turn mower in January 2021 that cuts four acres per hour. You must appraise the machine using the market sales shown. All of the sales took place after the assessment date and none of the sales had special conditions to consider.

Comparable	Cutting Rate	Sale Date	Sale Price
A	4 Acres	April 2021	$9,000
B	4 Acres	June 2021	$8,650
C	6 Acres	April 2021	$10,100

10

Compliance

Compliance Program

Under G.S. 105-296, the county assessor is charged with the responsibility to list, appraise, and assess all property located in their jurisdiction for taxation. To carry out this duty, county tax offices are encouraged to institute a compliance program. The program should establish standard procedures and practices, and a system for tracking results.

The goal of a compliance program is to provide a means for identifying and correcting inaccurate assessments to ensure reliable estimates of value are achieved. In addition, county personnel should use the compliance program as an opportunity to educate citizens on proper filing of business personal property abstracts, increasing the probability that future assessments will be accurate and improving relations between the county tax office and the public.

Compliance Reviews

The assessor cannot be certain that the property of business taxpayers is being listed properly unless the county completes compliance reviews, or audits. An audit is a systematic and methodical examination of records with the intent to verify their accuracy. It is used to verify the taxpayer's reported cost, that all assets are reported, and any other information that may influence the assessment of their business personal property.

There are three main types of audits used in property tax compliance reviews: the review audit, informal audit, and formal audit. The review audit is the simplest form of audit. It consists of comparing the listed information to other years and similar businesses. The informal audit, or desk audit, extends beyond the review audit by incorporating the basic accounting records of the taxpayer. Finally, the formal audit is an extensive review of the taxpayers listing and accounting records.

Review Audit

Every county tax office should be able to conduct this type of audit, as it is typically completed by the business personal property appraiser while processing an abstract. The appraiser has three major concerns in conducting a review audit. First, that everything that should be reported is included on the listing submitted by the property owner. Second, that cost data is correct. Third, that it represents the historical installed cost. Indications of the accuracy and reliability of the reported data and values may be developed in the office by comparing the property types and values reported with standard norms for the type of business activity. Comparison with norms will enable the appraiser to establish audit priorities. The further the property types and dollar values vary from the norms, the stronger the indication that a more formal audit is warranted.

The review audit is accomplished by using source data submitted by the property owner on their annual business listing. Each listing form submitted must be checked for mathematical errors. The listing should also be compared to the previous year's form to identify inconsistencies. This comparison may raise questions on the current or the previous year's form. For counties that do not prepopulate their listing forms, it is not uncommon to see a taxpayer list assets in a different year from one listing to the next, or list an asset one year, not list the asset the following year, then list it again. The appraiser must ascertain these listing errors and omissions to identify discovered property. To discover property is to determine property that has not been listed during a listing period, a taxpayer made a substantial understatement of listed property, or property was granted an exemption or exclusion that it did not qualify for. We will cover discovery in greater detail in Chapter 11.

Often, the review process will raise questions which can only be resolved by talking with the taxpayer or the person who prepared the return. This contact can usually be achieved by phone. By calling the taxpayer and resolving the issue, time and money are saved by both the county and the property owner. When additional information or documentation is needed, the request can be made during the call, but should be followed with a written request, such as an email.

Informal Audit

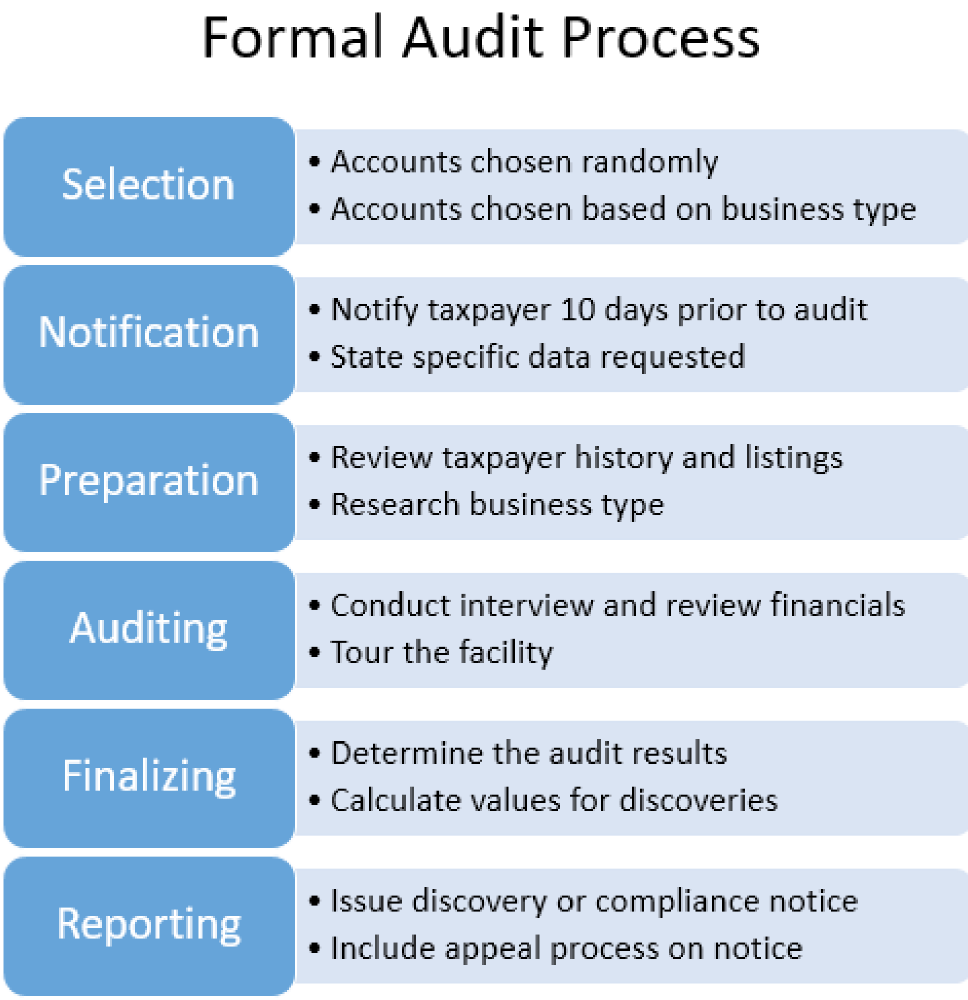
Occasionally, the review audit will lead to questions that cannot be resolved with a telephone call. In these cases, the appraiser must conduct an informal audit. The informal audit is sometimes referred to as a desk audit. It involves requesting the taxpayer to furnish the appraiser with certain accounting records. The most common records requested are the balance sheet, income statement, and depreciation schedule. These records were discussed in Chapter 8.

The greatest advantage to the informal audit is that it is performed in the tax office, making it more cost effective for smaller accounts. Following is a business desk audit task list. The appraiser should review this list annually prior to the listing period.

Formal Audit

The formal audit is an in-depth review of a business' operations, property tax listings, and accounting records. This type of audit is typically performed by an appraiser with formal accounting education, a tax auditor, or a contracted audit firm. The tax professionals review income tax returns, general ledgers, depreciation schedules, inventory and expense information, and any other accounting information provided by the business entity.

There are six steps in completing a formal audit. They are outlined in the following chart.



Record Comparison

Now that we understand the audit process, let's compare the business personal property listing and accounting records for Fancy Fashions, LLC.

1. Start by identifying items by category on the business' depreciation schedule, then total each category by year. Check the balance sheet and income statement for taxable property.

Fancy Fashion, LLC
Depreciation Schedule
December 31, 2020

Fixed Assets, at cost	$	71,180
Disposals	$	(1,000)
Accumulated Depreciation as of FYE	$	(43,543)
Fixed Assets, net of depreciation, as of FYE	**$**	**26,637**

Asset	Cost	Fiscal Year put into service (yyyy)	Useful Life (in years)	Disposals	Adjusted Cost	Accum Dep 12/31/19	2020 Dep Expense	Accum Dep 12/31/20	Net Book Value
Boutique Build-out LHI	$ 40,000	2015	10	$ -	$ 40,000	$ 20,000	$ 4,157	$ 24,157	$ 15,843
Restroom Repairs Real	$ ~~800~~	2017	10	$ -	$ ~~800~~	$ 367	$ 81	$ 448	$ 352
Accessory Racks (2)	$ 1,200	2015	9	$ -	$ 1,200	$ 830	$ 110	$ 940	$ 260
Clothing Racks (12)	$ 4,800	2015	$6.900 9	$ -	$ 4,800	$ 3,158	$ 417	$ 3,575	$ 1,225
Counter	$ 900	2015	9	$ -	$ 900	$ 654	$ 76	$ 730	$ 170
Mannequins	$ 750	2016	3	$ -	$ 750	$ 750	$ -	$ 750	$ -
Jewelry Cases (3) M&E	$ 1,500	2016	$3.230 9	$ -	$ 1,500	$ 750	$ 158	$ 908	$ 592
Shoe Racks (2)	$ 980	2016	9	$ -	$ 980	$ 689	$ 74	$ 763	$ 217
Mirrors & Partitions	$ 1,900	2018	10	$ -	$ 1,900	$ 628	$ 341	$ 969	$ 931
Window Dressing Props	$ 1,000	2019	3	$ -	$ 1,000	$ 854	$ 72	$ 926	$ 74
Electric Sign	$ 3,000	2020	9	$ -	$ 3,000	$ 1,153	$ 187	$ 1,340	$ 1,660
Telephone	$ 300	2015	6	$ -	$ 300	$ 300	$ -	$ 300	$ -
Desk	$ 1,500	2016	10	$ -	$ 1,500	$ 750	$ 150	$ 900	$ 600
Office Chair F&F	$ 400	2017	$1.900 6	$ -	$ 400	$ 298	$ 42	$ 340	$ 60
Victorian Chairs	$ 1,500	2017	6	$ -	$ 1,500	$ 875	$ -	$ 875	$ 625
Dressing Room Chairs (4)	$ 1,250	2019	6	$ -	$ 1,250	$ 475	$ 215	$ 690	$ 560
(D) Printer Comp	$ ~~400~~	2015	6	$ 400	$ -	$ -	$ -	$ -	$ -
Computer	$ 300	2017	4	$ -	$ 300	$ 300	$ -	$ 300	$ -
Display Lighting LHI	$ 2,600	2017	10	$ -	$ 2,600	$ 1,196	$ 374	$ 1,570	$ 1,030
Dressing Room Doors	$ 1,500	2018	10	$ -	$ 1,500	$ 465	$ 154	$ 619	$ 881
(D) POS System Other	$ ~~600~~	2015	6	$ 600	$ -	$ -	$ -	$ -	$ -
POS System	$ 4,000	2020	4	$ -	$ 4,000	$ 1,257	$ 1,186	$ 2,443	$ 1,557
ANNUAL TOTAL	**$ 71,180**			**$ 1,000**	**$ 70,180**	**$ 35,749**	**$ 7,794**	**$ 43,543**	**$ 26,637**

Real -800
$69,380

Fancy Fashion LLC
Balance Sheet
December 31, 2020

Assets	
Current assets:	
Cash	267,841
Accounts Receivable	2,698
Inventory	
Raw Materials	-
Goods	65,985
Supplies	10
Total current assets	336,534
Real Property	-
Personal Property & Equipment	70,180
Construction in Progress	-
Goodwill	7,581
Total Assets	**414,295**
Liabilities	
Current liabilities:	
Accounts Payable	6,722
Accrued expenses: Salaries and wages	24,395
Unearned revenue	1,263
Total current liabilities	32,380
Long-term debt	167,458
Other long-term liabilities	6,597
Total Liabilities	**206,435**
Capital	
Equity Capital	161,006
Retained Earnings	46,854
Capital	**207,860**
Total Liabilities & Capital	**414,295**
Check	*0.000*

Fancy Fashion LLC Income Statement January 1, 2020 - December 31, 2020	
Revenue stream 1	146,751
Revenue stream 2	74,584
Returns, Refunds, Discounts	(3,684)
Total Net Revenue	**217,651**
Cost of Goods Sold	72,948
Gross Profit	**144,703**
Expenses	
Advertising & Promotion	1,259
Depreciation & Amortization	7,794
Insurance	1,480
Maintenance	465
Office Supplies	125
Rent	16,000
Salaries, Benefits & Wages	24,395
Telecommunication	780
Travel	960
Utilities	2,450
Section 179 Assets	950
Other	0
Total Expenses	56,658
Earnings Before Interest & Taxes	**88,045**
Interest Expense	300
Earnings Before Taxes	**87,745**
Income Taxes	1,970
Net Earnings	**85,775**

2. Compare the calculated depreciation schedule totals to the totals listed by the taxpayer on their listing form.

PRINT CLEAR

2021 BUSINESS PERSONAL PROPERTY LISTING

COUNTY OF WAKE North Carolina

FOR DEPARTMENT USE ONLY	ACCOUNT NUMBER	DATE	TWP	DISTRICT	CITY	PENALTY	VALUE

1	2	3	4	5	6	7
8	B	D	E	F	TOTAL	

Business Legal Name or Individual's Name: FANCY FASHION LLC

Trade Name or DBA:

Address: 100 S SALEM ST

City: APEX State: NC Zip: 27539

PRINCIPAL BUSINESS IN THIS COUNTY: CLOTHING BOUTIQUE

SIC # OR NAICS CODE: 448150

DATE BUSINESS BEGAN IN THIS COUNTY: 11-01-15

DATE BUSINESS (FISCAL) YEAR ENDS: 12-31-20

FILL IN APPLICABLE CIRCLE:
- ○ PARTNERSHIP
- ○ SOLE PROPRIETORSHIP
- ○ UNINCORPORATED ASSOCIATION
- ● LLC
- ○ CORPORATION
- ○ OTHER (SPECIFY)

FILL IN APPLICABLE CIRCLE: BUSINESS CATEGORY
- ● RETAIL
- ○ WHOLESALE
- ○ MANUFACTURING
- ○ SERVICE
- ○ LEASING/RENTAL
- ○ FARMING
- ○ OTHER (SPECIFY)

OTHER N.C. COUNTIES WHERE PERSONAL PROPERTY IS LOCATED: N/A

CONTACT PERSON FOR AUDIT: TAX ACCOUNTANTS, INC.

ADDRESS & PHONE: PO BOX 15. APEX, NC 27502

CONTACT PERSON FOR PAYMENT & PHONE: JANE SMITH 919-555-1212

PHYSICAL ADDRESS: 100 S SALEM ST, APEX, NC 27539

REAL ESTATE OWNED BY: COMMERCIAL LEASING, INC.

NAME IN WHICH BUSINESS WAS LISTED LAST YEAR: FANCY FASHION LLC

NOTE: Business owners who acquired an existing business in the previous year must contact the county tax office for important listing instructions. Click on the link below for a list of county tax office phone numbers and addresses.

IF OUT OF BUSINESS COMPLETE THIS SECTION

DATE CEASED:

FILL IN APPLICABLE CIRCLE:
- ○ SOLD
- ○ CLOSED
- ○ BANKRUPT
- ○ OTHER

SOLD EQUIPMENT, FIXTURES, SUPPLIES TO:

BUYER'S ADDRESS & PHONE:

SCHEDULE A — PERSONAL PROPERTY - SEE INSTRUCTIONS

GROUP (1) MACHINERY & EQUIPMENT

YEAR ACQUIRED	PRIOR YR. COST	ADDITIONS	DELETIONS	CURR. YR. COST
2020		300		300
2019	1,000	0	0	1,000
2018	1,900	0	0	1,900
2017	0	0	0	0
2016	3,230	0	0	3,230
2015	6,900	0	0	6,900
2014	0	0	0	0
2013	0	0	0	0
2012	0	0	0	0
2011	0	0	0	0
2010	0	0	0	0
2009	0	0	0	0
2008	0	0	0	0
2007	0	0	0	0
2006	0	0	0	0
2005	0	0	0	0
PRIOR	0	0	0	0
TOTAL	13,030	300	0	13,330

GROUP (2) CONSTRUCTION IN PROGRESS

LIST TOTAL OF ALL PERSONAL PROPERTY EXPENDITURES IN CIP ACCOUNT ON JANUARY 1, BUT NOT INCLUDED ABOVE - ITEMIZE IN SCHEDULE G

TOTAL CIP: $ 0

GROUP (3) OFFICE FURNITURE & FIXTURES

YEAR ACQUIRED	PRIOR YR. COST	ADDITIONS	DELETIONS	CURR. YR. COST
2020		0		0
2019	1,250	0	0	1,250
2018	0	0	0	0
2017	1,900	0	0	1,900
2016	1,500	0	0	1,500
2015	300	0	0	300
2014	0	0	0	0
PRIOR	0	0	0	0
TOTAL	4,950	0	0	4,950

GROUP (4) COMPUTER EQUIPMENT

YEAR ACQUIRED	PRIOR YR. COST	ADDITIONS	DELETIONS	CURR. YR. COST
2020		0		0
2019	0	0	0	0
2018	0	0	0	0
2017	300	0	0	300
PRIOR	400	0	400	0
TOTAL	700	0	400	300

DO NOT REMIT THIS FORM TO NC DEPARTMENT OF REVENUE

County addresses and additional schedules are available at:
https://www.ncdor.gov/documents/north-carolina-county-assessors-list

Send to appropriate county tax office.

SCHEDULE A - CONTINUED

PERSONAL PROPERTY - SEE INSTRUCTIONS

YEAR ACQUIRED	GROUP (5) IMPROVEMENTS TO LEASED PROPERTY			
	PRIOR YR. COST	ADDITIONS	DELETIONS	CURR. YR. COST
2020		0		0
2019	0	0	0	0
2018	1,500	0	0	1,500
2017	2,600	0	0	2,600
2016	0	0	0	0
2015	0	0	0	0
2014	0	0	0	0
2013	0	0	0	0
2012	0	0	0	0
2011	0	0	0	0
2010	0	0	0	0
2009	0	0	0	0
2008	0	0	0	0
2007	0	0	0	0
PRIOR	0	0	0	0
TOTAL	4,100	0	0	4,100

YEAR ACQUIRED	GROUP (6) EXPENSED ITEMS Capitalization Threshold			
	PRIOR YR. COST	ADDITIONS	DELETIONS	CURR. YR. COST
2020		0		0
2019	0	0	0	0
2018	0	0	0	0
2017	0	0	0	0
2016	0	0	0	0
2015	0	0	0	0
2014	0	0	0	0
2013	0	0	0	0
TOTAL	0	0	0	0

OTHER SCHEDULE A PROPERTY

Preparers of this listing form with costs to report that do not fit into any of the seven (7) groups for Schedule A should use Schedule A-1 or A-2 to report those costs. The county tax office should be contacted and made aware of this special reporting of costs prior to usage.

Do you have other schedule A property? (•) YES ( ) NO

If yes attach schedule → A-1 or A-2

GROUP (7) SUPPLIES — LIST COST ON HAND AS OF JANUARY 1

	COST		COST
1. OFFICE, MAINTENANCE, JANITORIAL, MEDICAL, DENTAL, BARBER AND BEAUTY SUPPLIES	10	5. RENTAL ITEMS NOT SOLD IN THE NORMAL COURSE OF BUSINESS AND NOT LISTED ELSEWHERE IN SCHEDULE A	0
2. FUELS HELD FOR CONSUMPTION	0	6. ALL OTHER MISCELLANEOUS SUPPLIES NOT LISTED ABOVE	0
3. REPLACEMENT PARTS AND SPARE PARTS	0	TOTAL	10
4. RESTAURANT AND HOTEL ITEMS SUCH AS LINENS, CLEANING SUPPLIES AND COOKWARE NOT LISTED ELSEWHERE IN SCHEDULE A	0		

SCHEDULE B

VEHICULAR EQUIPMENT & MOBILE HOMES OR MOBILE OFFICES

If you answer yes to any of questions 1-7 below, you must attach the appropriate schedule which corresponds with the equipment type listed below. If you answer yes to any of questions 1,2, 3, or 4, attach Schedule B-1, attach Schedule B-2 for watercraft, attach Schedule B-3 for mobile homes or mobile offices, and attach Schedule B-4 for aircraft. Indicate quantity of short-term rental vehicles owned for question 8.

1. Does your business own any unregistered motor vehicles? ( ) YES (•) NO
2. Does your business own any multi-year or permanently registered trailers? ( ) YES (•) NO
3. Does your business own any special bodies on vehicles? ( ) YES (•) NO
4. Does your business own any IRP (International Registration Plan) plated vehicles? ( ) YES (•) NO
   NOTE: Effective January 1, 2014, IRP plated vehicles are required to be listed with the local county tax office as part of the business personal property listing form process, unless they are already being reported as part of your Public Service Valuation with the N.C. Department of Revenue

If yes attach schedule → B-1

5. Does your business own any watercraft or engines for watercraft? ( ) YES (•) NO — **If yes attach schedule** → B-2
6. Does your business own any mobile homes or mobile offices? ( ) YES (•) NO — **If yes attach schedule** → B-3
7. Does your business own any aircraft? ( ) YES (•) NO — **If yes attach schedule** → B-4
8. Does your business own any vehicles held for short-term rental? ( ) YES (•) NO — **Quantity** →

SCHEDULE C

LEASED PROPERTY OR OTHER PROPERTY IN YOUR POSSESSION THAT IS OWNED BY OTHERS

N.C.G.S. 105-315 and 105-316 require every person having custody of taxable tangible personal property that has been entrusted to them by another for any business purpose, to furnish a separate list containing the name and address of the owner, along with a description of the property. If you answer yes to one of the following three questions, or are otherwise required to supply this list, **you must return the list or separate Schedule C-1 by January 15.**

1. Does your business hold any leased property owned by another party (are you a lessee)? ( ) YES (•) NO
2. Do you have any property used by your business, or in your possession, that is owned by others? ( ) YES (•) NO
3. Do you operate a mobile home park, campground, marina, aircraft storage facility, or similar business? ( ) YES (•) NO

SCHEDULE D — **SEPARATELY SCHEDULED PROPERTY**

1. Does your business own any artwork, displays, statues, or other personal property that is separately scheduled for insurance purposes? ○ YES ⦿ NO

   Please describe the items and estimated value of items if applicable.

SCHEDULE E — **FARM EQUIPMENT**

Does your business own any tractors, implements, bulk barns, and/or other farm equipment? ○ YES ⦿ NO ☐ COST ON SCHEDULE A

If so, list and attach separate schedule E-1. If listed by cost on Schedule A, indicate above, but still include information on separate schedule E-1.

SCHEDULE F — **INTANGIBLE PERSONAL PROPERTY**

Session Law 2018-98 repealed the taxation of a leasehold interest in exempt real property, effective July 1, 2019. Schedule F is no longer applicable and will be reserved for future use.

SCHEDULE G — **ACQUISITIONS AND DISPOSALS DETAIL**

Provide acquisition and disposal details on machinery, equipment, furniture and fixtures, computer equipment, and improvements to leased property in the prior year. If there is not enough room below, attach separate Schedule G-1.

ACQUISITIONS - ITEMIZE IN DETAIL	100% ORIGINAL COST	DISPOSALS - ITEMIZE IN DETAIL	YEAR ACQUIRED	100% ORIGINAL COST
POS SYSTEM	4,000	POS SYSTEM	2015	600
		PRINTER	2015	400

SCHEDULE H — **REAL ESTATE IMPROVEMENTS**

During the past calendar year, did your business make improvements and/or other additions to real property owned by your business? If yes, attach separate Schedule H-1 with information on such improvements. ○ YES ⦿ NO

SCHEDULE I — **BILLBOARDS - OUTDOOR ADVERTISING STRUCTURES**

Does your business own any billboards, or outdoor advertising structures?
If yes, attach separate Schedule I-1 with requested information. ○ YES ⦿ NO

SCHEDULE J — **LEASED EQUIPMENT**

Does your business lease equipment to others?
If yes, attach separate Schedule J-1 with requested information. ○ YES ⦿ NO

AFFIRMATION

LISTING MUST BE SIGNED BY A LEGALLY AUTHORIZED PERSON - Please check the capacity in which you are signing the affirmation.

For Individual Taxpayers: ☐ Taxpayer ☐ Guardian ☒ Authorized Agent ☐ Other person having knowledge of and charged with the care of the person and property of the taxpayer.

For Corporations, Partnerships, Limited Liability Companies, Unincorporated Associations:

☐ Principal Officer of the Taxpayer Title ______

☐ Full-time employee of the taxpayer who has been officially empowered by a principal officer to list the property and sign the affirmation. Title ______

☒ Authorized agent. If this capacity is selected, I certify that I have NCDOR Form AV-59 on file for this taxpayer: ☒ Yes ☐ No

Under penalties prescribed by law, I affirm that to the best of my knowledge and belief, this listing, including any accompanying statements, inventories, schedules, and any other information, is true and complete. (If this is signed by an individual other than the taxpayer, they affirm that they are familiar with the extent and true value of all of the taxpayer's property subject to taxation in this county, and that their affirmation is based on all the information of which they have any knowledge.)

Signature	Date	Authorized Agent Address
Jane Smith	01-20-21	PO BOX 15, APEX, NC 2

Telephone Number	Fax Number	Email Address
(919) 555-1212	(919) 555-3434	cpajane@taxaccountants.com

Any individual who willfully makes and subscribes an abstract listing required by Subchapter II of Chapter 105 of the North Carolina General Statutes, which they do not believe to be true and correct as to every material matter, shall be guilty of a Class 2 misdemeanor. (Punishable by imprisonment up to 60 days.)

Name FANCY FASHION LLC Account 1234567 County WAKE Year 2020

SCHEDULE A-1 ADDITIONAL SCHEDULES FOR MACHINERY & EQUIPMENT

YEAR ACQUIRED	GROUP (1) MACHINERY & EQUIPMENT			
	PRIOR YR. COST	ADDITIONS	DELETIONS	CURR. YR. COST
2020		4000		4000
2019				
2018				
2017				
2016				
2015	600	0	600	0
2014				
2013				
2012				
2011				
2010				
2009				
2008				
2007				
2006				
2005				
PRIOR				
TOTAL	600	4000	600	4000

YEAR ACQUIRED	GROUP (1) MACHINERY & EQUIPMENT			
	PRIOR YR. COST	ADDITIONS	DELETIONS	CURR. YR. COST
2020				
2019				
2018				
2017				
2016				
2015				
2014				
2013				
2012				
2011				
2010				
2009				
2008				
2007				
2006				
2005				
PRIOR				
TOTAL				

YEAR ACQUIRED	GROUP (1) MACHINERY & EQUIPMENT			
	PRIOR YR. COST	ADDITIONS	DELETIONS	CURR. YR. COST
2020				
2019				
2018				
2017				
2016				
2015				
2014				
2013				
2012				
2011				
2010				
2009				
2008				
2007				
2006				
2005				
PRIOR				
TOTAL				

YEAR ACQUIRED	GROUP (1) MACHINERY & EQUIPMENT			
	PRIOR YR. COST	ADDITIONS	DELETIONS	CURR. YR. COST
2020				
2019				
2018				
2017				
2016				
2015				
2014				
2013				
2012				
2011				
2010				
2009				
2008				
2007				
2006				
2005				
PRIOR				
TOTAL				

3. Annotate all discrepancies, separating by category and year. Total the values. These figures will be used for making valuations.

Fancy Fashion LLC

Machinery and Equipment

Year	Actual	Listed	Variance	Value
2020	$ 3,000	$ 300	$ 2,700	$ 2,430

Leasehold Improvements

Year	Actual	Listed	Variance	Value
2015	$ 40,000	$ -	$ 40,000	$ 26,000

Expensed Items

Year	Actual	Listed	Variance	Value
2020	$ 950	$ -	$ 950	$ 827

4. Using the NCDOR Cost Index and Depreciation Schedules, value the property for each year using the cost index publication that coincides with the tax year of the discovery. For example, the leasehold improvements discovered for the 2016 year would be valued using the 2016 cost index. The 2017 year discovery would use the 2017 year cost index, and so on. It should be noted that the appraiser is only assessing discovered value. The county may choose to offset a discovery with an overstatement as long as they occur in the same year. However, an overstatement for 2017 should not offset a discovery for 2020. In addition, refunds should not be processed for overstatements. The taxpayer must use the remedies provided in G.S. 105-381 to request a release or refund.

Fancy Fashion LLC
Audit Summary

	Tax Year					
Category	2021	2020	2019	2018	2017	2016
Machinery	$2,430					
Furniture						
Computers						
Leaseholds	$26,000	$30,000	$32,000	$34,000	$36,000	$38,000
Other (POS)						
Expensed	$827					
Total	$29,257	$30,000	$32,000	$34,000	$36,000	$38,000

5. The appraiser must now summarize the audit findings and serve notice to the taxpayer. This notice is a discovery and must follow the provisions of G.S. 105-312. Discoveries are discussed in depth in Chapter 11. We will revisit the Fancy Fashion LLC audit in the next chapter, calculating the discovery tax bill.

Physical Inspections

Occasionally, a property owner will not cooperate with the county appraiser, or have the accounting records needed for a compliance review. When this occurs, a physical inspection of the business may be necessary. The purpose of the physical inspection is to create or confirm an asset listing for the business. The physical inspection method should also be used in cases where an itemized listing of personal property has not been submitted by the taxpayer. The appraiser can create one during the inspection. If the taxpayer has submitted an itemized list, the appraiser can verify the listed property while performing the physical inspection, noting property not listed by the taxpayer on the listing form, as well as the physical condition and usage of the property. Another important area for the appraiser's attention is leasehold improvements. It is useful for the appraiser to bring a real property card with them to validate assets assessed as real property and eliminate double assessments.

After completing the inspection, the appraiser must utilize other sources of information to estimate the value of any discovered property. Researching comparable properties for similar businesses can help the appraiser in valuation. Developing a cost per square foot of similar businesses' personal property may also be appropriate. Industry guides, cost manuals, trade magazines, office supply catalogs, and machinery and equipment retailers are all excellent sources that can be used to aid in the discovery and valuation process. Finally, the appraiser must document all findings in a manner that allows for review and can be understood should the findings come under appeal.

Ghost Assets

Ghost assets are an area of contention between the tax office and a business entity, and they often surface in property tax compliance reviews. Ghost assets are fixed assets that remain on a business' accounting records that cannot be accounted for because they are not physically present at the business location, or they have been rendered unusable.

Ghost assets are very common, especially in large organizations. When fully depreciated assets are sold off or otherwise disposed of, the accountant often fails to remove the cost and asset description from the depreciation schedule or fixed asset list. Accountants and business owners tend to focus their attentions on income tax. As these fully depreciated assets have little to no impact on the taxpayer's income tax filing, they are often disregarded. As we previously learned, the asset's book value has no implication on property tax liability. Therefore, assets remaining on the business' accounting records are presumed to be present and taxable. The ghost assets are often discovered during an audit.

Once discovered, the burden of proof lies with the taxpayer to show that the assets were not present as of the assessment date. When the property was sold, the taxpayer can furnish copies of the bill of sale as proof. This becomes more challenging when the assets are disposed. More often than not, property owners fail to obtain receipts for items that are given away, scrapped, hauled off as junk, or thrown away. When appealed timely, the tax office may need to consider all evidence from the taxpayer to determine whether the assets should be removed from the discovery. In addition, the taxpayer should be advised to remove the assets from the accounting records to avoid future discoveries.

Conclusion

A compliance program allows the assessor the opportunity to find and discover property which has not been listed or taxed, as required by law. The program can yield a large sum of escaped revenue, but revenue should not be the driving force behind the program. Without a compliance program, a county's assessment of business personal property becomes a self-assessment system full of injustices and inequities. Maintaining compliance ensures that the tax burden is distributed in a fair and equitable manner across all taxpayers. It encourages compliance and aids business owners in filing a complete and accurate listing.

Chapter 10 Exercise

1. List three reasons the county should have a compliance program.

   a. ______________________________

   b. ______________________________

   c. ______________________________

2. An ____________ is a systematic and methodical examination of records with the intent to verify their accuracy.

3. True or False: Every county in North Carolina can have some type of taxpayer compliance program regardless of the size of the county or the amount of their budget.

4. What accounting records are typically requested in an informal audit?

   a. ______________________________

   b. ______________________________

   c. ______________________________

5. The ________________ method should be used in cases where an itemized listing of personal property has not been submitted by the taxpayer.

6. What are some of the things an appraiser should look for when completing a physical inspection of a business?

7. Fixed assets that remain on a business' accounting records that cannot be accounted for because they are not physically present at the business location, or they have been rendered unusable are called ________ ____________.

8. True or False: The assessor is responsible for proving that an asset was present and taxable as of the assessment date.

9. True or False: The purpose of a compliance program is to generate revenue.

10. True or False: When conducting formal audits, the tax office should establish a selection process.

11

Discovery

Discovery

The assessor has a duty under G.S. 105-312 to discover all property not properly listed during the regular listing period. Discovery is the process of identifying all taxable property within the jurisdiction, adding it to the assessment roll, and ensuring it is taxed. Given the nature of personal property and its mobility, discovery must be an ongoing task. Property may change hands or leave the jurisdiction prior to being discovered.

Tax Records

Each year, the assessor is charged with preparation of the tax records that are used for tax bill generation. The tax records contain the assessment roll, which is a list of all taxpayers whose property has been listed and assessed for taxation. The assessment roll is often separated by property type, including rolls for business personal property.

A diligent effort should be made to ensure the completeness and accuracy of the assessment roll. Address changes should be made promptly and any returned mail should be investigated and resent immediately. There must also be a consistent effort to add new taxpayers to the assessment roll, and to remove taxpayers that have ceased business operations within the jurisdiction.

When the tax records are properly maintained, they can be utilized for preparing discovery notices for property owners that failed to list during the regular listing period. Many tax offices simply “roll up” unlisted property from one year to the next and add penalties. This practice is not permitted by statute. The assessor is required to send a discovery notice on the accounts that were rolled to the current year, affording the taxpayer their due process. As the accounts are already in the tax office’s internal software, unlisted accounts can be extracted for mailing system-generated discovery notices.

Discovery Methods

Discovery is typically achieved when a property owner is identified and added to the assessment roll. The appraiser has several resources available to assist in the maintenance of the roll.

The listing form is the most valuable tool available for the discovery of personal property. It affords the taxpayer the opportunity to provide an original listing of their property, including their historical costs and dates of acquisition. A properly completed listing form aids the appraiser in correctly classifying and valuing property, ensuring the accuracy of the assessment. The forms should be mailed with sufficient time to allow timely completion and return. After the listing period has expired, the appraiser must send a discovery notice.

As we discussed in Chapter 10, a compliance review program is an excellent tool in the discovery process. Often, a simple comparison of the taxpayer's listing form to their accounting records yields unlisted and under listed property. Physical inspections can also be helpful in locating property that has not been included on the listing.

The general statutes are another tool for the appraiser. They require reports that will aid in the listing process. Be sure to request these reports from mobile home parks, marinas, airports, strip malls, and shopping centers. It is recommended that the appraiser supply the report in an effort to ensure the necessary information to make the discovery is included. In addition, the statutes grant the assessor the authority to require a business enterprise to submit a detailed inventory, statement of assets and liabilities, or other similar information applicable to the discovery or appraisal of property.

One of the best ways to know what is in the county is to go out and look. Canvassing is a systematic initiation of direct contact with property owners. The appraiser prepares a list of existing business accounts broken down into specific geographical areas. They will then physically visit each area to verify the status of unlisted businesses and to look for new businesses that have not listed in the past. Information packets should be created to provide to new business owners while in the field, explaining their listing duties. The packet should also include blank forms for listing, if they were liable as of the assessment date. Canvassing gives the appraiser a perfect opportunity to establish a rapport with current and new taxpayers, and increases the probability of accurate filings.

Following are some additional resources that may prove useful to the appraiser in the discovery process.

Trade Publications	Wildlife Boat Registrations
FAA Registrations	Aerial Photography
NC Sales Tax List	UCC Filings
DMV Reports	Building Permits
Health Sanitation Reports	Real Property Appraisal Staff
Chamber of Commerce	Google/Internet Research
Social Media Networks	DOT Outdoor Advertising List
Market Bulletins	Coupon Books
Shopping Center Guides	PUV Applications
Advertisements	Leased Equipment Reports

Discovery Notice

A discovery is deemed to have been made on the date that the abstract is completed or corrected in accordance with G.S. 105-312. The appraiser must now make a tentative appraisal of the property using the best information available. When the discovery is made, a notice is required to be sent to the person named on the listing. The notice must contain the following:

1. Name and address of the person in whose name the property is listed.

2. Brief description of the property.
3. Tentative appraisal of the property.
4. Statement advising the listing will be final unless written exception is filed with the assessor within 30 days of the notice date.

The corrected listing, or newly created listing, may be filed with all other listings received for the tax year or filed separately. Regardless of filing, it shall have the same force and effect as if it had been submitted during the regular listing period.

Presumptions and Taxation

When making a discovery, the appraiser shall presume that the property should have been listed by the taxpayer for the preceding five years, unless evidence proves otherwise. Simply stated, the appraiser may discover the current and preceding five years. If it is determined that the person being discovered did not own the property for any of the prior years, then the discovery shall reflect the years of tax liability, and a separate discovery should be made for the preceding owner, within the five year lookback period. Of course, if the property did not exist for the preceding five years, or was not located in the tax jurisdiction, then the property would not be subject to discovery. The property must always have a taxable situs for discovery.

Discovery Tax Billing

Taxes for each year discovered must be calculated separately using the tax rate in effect for the tax year discovered. After computing the tax, a penalty in the amount of 10% of the tax due will be assessed, plus an additional 10% of the tax due for each subsequent listing period that elapsed before the property was discovered. The penalties are calculated separately for each year in which a failure to list occurred. However, all taxes and penalties will be totaled on a single tax receipt.

Using the audit summary of discovered values for the Fancy Fashion LLC compliance review we completed in Chapter 10, following is the resulting discovery tax bill for a discovery made on June 15, 2021.

Fancy Fashion LLC

Audit Summary

	Tax Year					
Category	2021	2020	2019	2018	2017	2016
Machinery	$2,430					
Furniture						
Computers						
Leaseholds	$26,000	$30,000	$32,000	$34,000	$36,000	$38,000
Other (POS)						
Expensed	$827					
Total	$29,257	$30,000	$32,000	$34,000	$36,000	$38,000

Fancy Fashion LLC
Discovery Tax Billing **Discovery Date: 6/15/2021**

Year	Value	Tax Rate	Tax Owed	Penalty	Penalty $	Total
2021	$29,257	$0.50	$146.29	10%	$14.63	$160.92
2020	$30,000	$0.60	$180.00	20%	$36.00	$216.00
2019	$32,000	$0.70	$224.00	30%	$67.20	$291.20
2018	$34,000	$0.50	$170.00	40%	$68.00	$238.00
2017	$36,000	$0.55	$198.00	50%	$99.00	$297.00
2016	$38,000	$0.55	$209.00	60%	$125.40	$334.40
Total:			**$1,127.29**		**$410.23**	**$1,537.52**

Collection

For tax collection purposes, the total discovery tax billing will be charged to the fiscal year beginning on July 1 of the calendar year in which the property was discovered. Payments will follow the standard deadlines and schedules, with the tax being due September 1, and become delinquent on January 6 of the following calendar year. Any discounts offered by the county for early payment would also apply. Should enforcement remedies become necessary, the collector would have 10 years from the September 1 due date of the discovery bill to collect.

Exemption and Exclusion

An owner of property that may be eligible for exemption or exclusion is authorized under G.S. 105-282.1 to appeal the discovery notice and make application for exemption or exclusion. This includes discovered taxes for prior years. In essence, the taxpayer may file an untimely application during the appeal period of the discovery. However, the property owner must demonstrate the property qualifies for the exemption or exclusion for each year discovered. For example, the assessor discovers a mobile home for the current year and five years prior. The mobile home owner turned 65 years old in December 2020 and meets the qualifications for the elderly homestead exclusion. Upon application, the owner may only be granted the exclusion for the years in which they qualified. Therefore, the exclusion would apply only to the 2021 tax discovery, as they were not 65 years old on January 1 of the remaining discovered years.

Immaterial Irregularities

A discovery encompasses listing errors or omissions on behalf of the taxpayer. When the tax office makes an error, they must seek the back taxes using another means. G.S. 105-394 addresses immaterial irregularities – listing and appraisal errors due to an informality, omission, or defect by the tax office. This does not include appraisal judgement errors, which can only be corrected for the current year forward. Immaterial irregularities do not incur penalties; however, interest is authorized from the original delinquency date of the year billed. Unlike discoveries, there is no limit to the number of past years that can be billed. Keeping in mind the ten year statute of limitations on enforcement remedies, most assessors will limit the billing to ten years. As personal property is listed and assessed annually, it is less likely that an immaterial irregularity involving personal property will encompass multiple years. Should a taxpayer timely list their personal property for taxation and the bill fails to be created due to a data entry error, the tax office may bill the tax at a later date, with interest, using the immaterial irregularity statute.

Conclusion

Discovery is the process by which the county tax assessor fulfills their duty of ensuring all property that was not listed, listed at an understated value, or was exempted or excluded in error; is listed, assessed, and taxed. Personal property discovery is accomplished by a system that utilizes self-declaration, public records, canvassing, advertisements, and many additional methods, while being supported by a compliance review program. When property is discovered, it shall be taxed for the year in which discovered and for any of the preceding five years during which it escaped taxation. The assessor has strict noticing requirements and the property owner is subject to the discovered tax, plus penalties.

Chapter 11 Exercise

1. ______________________ is the process of identifying all taxable property within the jurisdiction, adding it to the assessment roll, and ensuring it is taxed.

2. True or False: The tax office is authorized to roll up unlisted accounts from one year to the next, as long as penalties are applied.

3. List three sources that can be used for discovery.

   a. ____

   b. ____

   c. ____

4. True or False: A discovery is deemed to have been made on the date that the abstract is completed or corrected.

5. List the four requirements of a discovery notice.

   a. ____

   b. ____

   c. ____

   d. ____

6. Mac's Diner underwent a compliance review by the tax office. The business personal property appraiser determined the following values after review of the company's listing forms and accounting records. Using the data below, determine the total tax owed, including penalties, if a discovery is made on March 31, 2021. The business was not on an extension.

   ____

Mac's Diner LLC

Audit Summary

Year	Correct Value	Listed Value	Tax Rate
2021	$17,550	$17,550	$0.50
2020	$21,400	$20,400	$0.60
2019	$23,550	$24,550	$0.70
2018	$24,710	$22,530	$0.50
2017	$26,980	$24,350	$0.55
2016	$28,630	$26,980	$0.55

7. Assume Mac's Diner LLC was on an extension until April 15, 2021. What would the penalty be for the 2017 year discovery? ______________________

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Appeals

Timely Listed Appeals

Property owners may appeal the value, situs, or taxability of timely listed personal property within 30 days after the date of the initial notice of value, under G.S. 105-317.1. In the event a separate notice of value is not sent, the tax bill will serve as the initial notice of value and must have language advising the taxpayer of their appeal rights. Upon receipt of a timely filed appeal, the assessor must arrange a conference with the taxpayer, giving them the opportunity to present their appeal and any evidence that supports it. As ad valorem assessments are presumed to be correct, the burden of proof is on the taxpayer to show that the assessment was erroneous.

After the conference, the taxpayer may sign an agreement accepting the value, situs, or taxability of the property and the appeal is closed. If an agreement is not reached, the assessor, within 30 days after the conference, must give written notice of their decision to the taxpayer. The notice must advise the taxpayer of their right to request further review of the decision by the board of equalization and review, or if not in session, the board of county commissioners. The taxpayer may make the request for review at the assessor conference. If they do not, they must file the request in writing with the assessor, within 30 days of the date of the notice of assessor's decision.

Discovery Appeals

When discovered property is listed, the assessor is required under G.S. 105-312 to send a discovery notice. The notice must state that the listing and appraisal will become final unless written exception is filed with the assessor within 30 days from the date of the notice. Upon receipt of a timely exception to the discovery, the assessor must arrange a conference with the taxpayer to afford them the opportunity to present evidence and make any argument against the discovery.

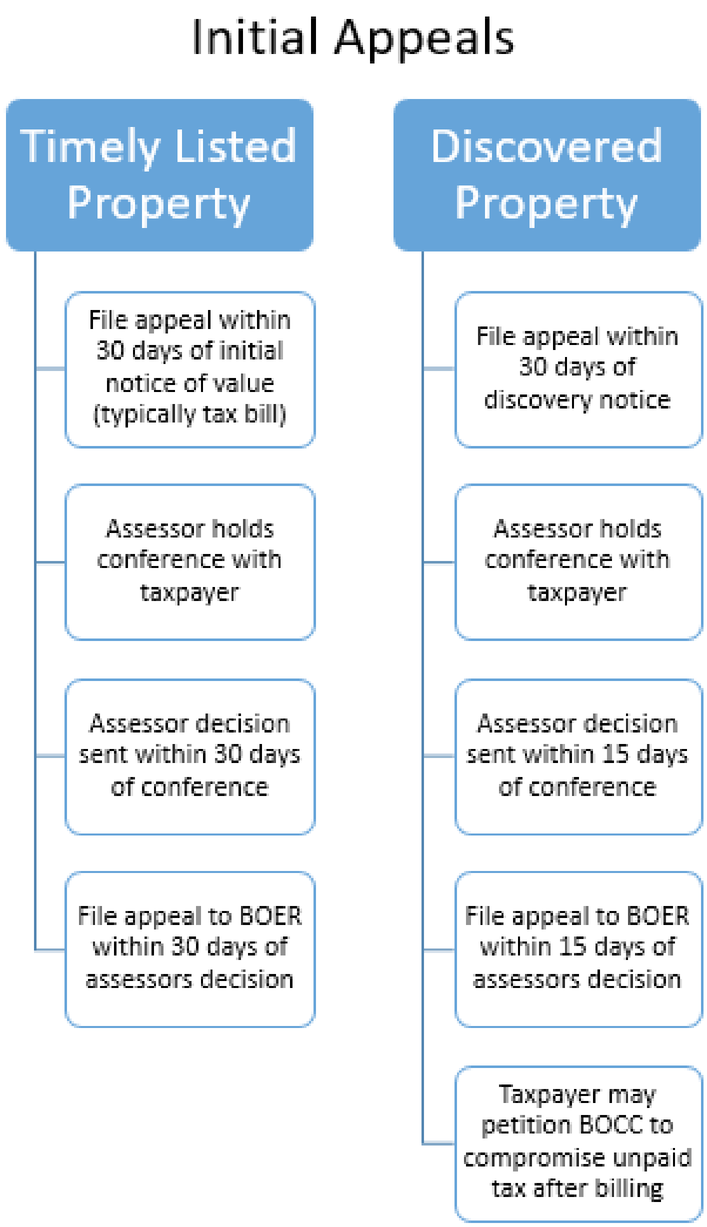
After the conference, the taxpayer may sign an agreement accepting the listing and appraisal of the property and the appeal is closed. If an agreement is not reached, the assessor, within 15 days after the conference, must give written notice of their decision to the taxpayer. The notice must advise the taxpayer of their right to request further review of the decision by the board of equalization and review, or if not in session, the board of county commissioners. The taxpayer may make the request for review at the assessor conference. If they do not, they must file the request in writing with the assessor, within 15 days of the date of the notice of assessor's decision.

Untimely listed property, unlisted property, property listed at an understated value, property found in a compliance review, and property listed under an exemption or exclusion for which it did not qualify would all fall under the discovery appeal process.

Power to Compromise

After discovered property is computed on a tax receipt and billed by the collector, the taxpayer may petition the board of county commissioners to compromise, settle, or adjust the county's claim for taxes arising from the discovery under G.S. 105-312(k). Taxes, according to the Machinery Act, are comprised of the principal amount of any property tax, costs, penalties, and interest. The county commissioners may also, by resolution, delegate this authority to the board of equalization and review or a special board established by local act.

The power to compromise is discretionary; therefore, the decision of the local board is final. As the decision is not subject to further appeal, the notice of decision should not contain language advising the taxpayer of additional appeal rights. The initial discovery notice would have afforded the taxpayer the ability to appeal the listing and appraisal of the property, and further to the NC Property Tax Commission (PTC). However, if the taxpayer petitions the PTC to review the local board's compromise decision, the county would be advised to seek legal advice on motioning the commission to dismiss.



Assessor's Conference

The appraiser should work with the assessor to thoroughly review all complaints during the assessor's conference. This aids in maintaining the perception of equity and fairness, and allows the assessor to correct factual errors early in the process. Upon receiving the appeal, the appraiser should research the nature of the taxpayer's complaint and review the assessment data for accuracy. This is also an appropriate time to request additional information from the taxpayer to aid in reviewing the complaint. If a physical inspection has not been completed, doing so may prove beneficial at this time. The goal of the conference is to ensure the accuracy and fairness of the assessment, build confidence in the taxpayer, and uphold the integrity of the office.

Board of Equalization and Review

Should the taxpayer and assessor not be able to come to an agreement and the taxpayer appeals the assessor's decision, the complaint will proceed to the board of equalization and review, or the board of county commissioners if they are not in session. The board will hear all evidence offered by the appellant, the assessor, and other county officials that is pertinent to the decision of the appeal. If the appellant requests, the board may subpoena witnesses or documentation, should they determine there is a reasonable basis for believing that the information obtained will aid in the board's decision of the appeal. After considering all evidence, the board will adopt an order reducing, increasing, or affirming the listing or appraised value under appeal. Within 30 days of the board's decision, a notice of the decision must be sent to the appellant and advise of their right to appeal to the PTC.

Property Tax Commission and Courts

If the taxpayer is not satisfied with the decision of the local board, they may appeal to the Property Tax Commission, which sits as the State Board of Equalization and Review. A PTC hearing is an administrative hearing that is very similar to a trial in court, but without a jury. It is a brand new hearing with witnesses and exhibits. The hearing is governed by the rules of evidence as practiced in the courts.

An individual may represent themselves at the PTC. Business taxpayers may be represented by corporate owners, officers, or employees that meet specific criteria, or a licensed attorney. Cases for the PTC cannot be prepared or represented by a tax consultant, tax representative, or tax agent, unless they are licensed to practice law.

Upon receipt, the taxpayer's appeal will be assigned to a NCDOR property tax valuation specialist. The specialist will review the issues and mediate the appeal between the county and the taxpayer, in an effort to resolve the issues prior to hearing. In situations where a taxpayer files appeals in multiple jurisdictions, the various jurisdictions may elect to come together to have their appeals heard as one. This will save time and money for the counties and taxpayer.

Evidence is presented as sworn testimony and documents, and the parties have the opportunity to cross-examine witnesses. After the parties have completed their arguments, the Commission will render its decision within a short time, based upon the greater weight of the evidence.

The taxpayer may appeal a decision of the Property Tax Commission to the NC Court of Appeals and NC Supreme Court, but those bodies may choose to not hear the case as the grounds for appeal are more limited.

Late Appeals

When a taxpayer files an untimely appeal, the assessor must accept the appeal and issue a denial letter based on the untimely filing. The notice should afford the taxpayer their due process and inform them of the deadline to appeal to the local board. The taxpayer has the burden of proof to establish the appeal was filed timely.

Release and Refund

Any taxpayer who wishes to oppose the collection of a property tax must challenge the validity of the tax before the board of county commissioners. Per G.S. 105-381, this authority is only granted to the board of county commissioners and is not a power that can be delegated to the board of equalization and review. The only refunds and releases that may be delegated for approval are those less than $100.00, which may be delegated to the county manager, finance officer, or county attorney.

To request a release or refund, a taxpayer may assert one of the following defenses:

1. Tax imposed through a clerical error
2. Illegal tax
3. Tax levied for an illegal purpose

Clerical errors refer to errors made on behalf of the tax office. These would include unintended transcription errors. Clerical errors do not include judgment errors made on behalf of the appraiser. Appraisal judgment errors can be corrected for current and future years, but prior years would have to have been appealed as a valuation dispute. The second category, illegal taxes, refers to situations such as double taxation, situs errors, and property that no longer exists, or excess taxation. Taxes levied for an illegal purpose is an extremely uncommon defense. This would include taxes levied for a purpose not permitted by the General Assembly. These three specific grounds for appeal of the tax are exclusive. No other defense to the tax may be considered without the members of the governing body running the risk of very harsh sanctions.

For taxes that have not been paid, the taxpayer may make a demand for the release of the tax at any time by submitting a request in writing to the board of county commissioners. If a tax has been paid, the taxpayer may request a refund within five years after the tax first became due or six months from the date of payment, whichever is the later date. The demand for refund must be submitted in writing to the board of county commissioners.

Motor Vehicles

Classified motor vehicle owners may appeal the appraised value of their vehicle by filing an appeal in writing with the assessor within 30 days before or after the date taxes are due. An owner who appeals the appraised value of their motor vehicle must pay the tax on the vehicle when due. The owner will receive a full or partial refund if the appeal is decided in the owner's favor.

If an owner's application for exemption or exclusion on a classified motor vehicle is denied by the assessor, they may file a request for appeal with the assessor within 30 days of the assessor's initial decision on the exemption or exclusion application.

Upon receipt of a timely appeal, the assessor must arrange a conference with the taxpayer to afford them the opportunity to present evidence and make any argument against the application denial. After the conference, the taxpayer may sign an agreement accepting the listing and appraisal of the classified motor vehicle and the appeal is closed. If an agreement is not reached, the assessor, within 15 days after the conference, must give written notice of their decision to the taxpayer. The notice must advise the taxpayer of their right to request further review of the decision by the board of equalization and review, or if not in session, the board of county commissioners. The taxpayer may make the request for review at the assessor conference. If they do not, they must file the request in writing with the assessor, within 15 days of the date of the notice of assessor's decision.

Conclusion

Property taxes are based on the mass appraisal of property within the jurisdiction. Given the broad nature of mass appraisal, property owners must be afforded their due process to ensure the accuracy of the assessment under appeal.

Chapter 12 Exercise

1. Upon receipt of a timely filed appeal, the assessor must arrange a conference with the taxpayer, giving them the opportunity ______________________ ____.
2. True or False: After the assessor's conference, the taxpayer may sign an agreement accepting the listing and appraisal of the property and the appeal is closed.
3. The taxpayer may petition the board of county commissioners to compromise, settle, or adjust the county's claim for taxes on ________________________ property.
4. The property owner may appeal the assessor's decision to the ____________________________.
5. The decision of the local board may be appealed to the __________________ __________________________________.
6. Decisions of the Property Tax Commission may be appealed to the _____________________________ and ______________________________________, but these bodies may choose not to hear the case.
7. The burden of proof lies with the _______________________.
8. For tax bills greater than $100.00, only the _______________________________ ______________________________ may grant a release or refund.
9. List the three valid defenses for requesting a release or refund.
   a. ____
   b. ____
   c. ____
10. The owner of a classified motor vehicle may appeal the appraised value of the vehicle within ____________ days before or after the date taxes are due.

13

Specialized Property

Specialized Property

Personal property appraisal covers a breadth of property types. In keeping with mass appraisal techniques, the majority of property can be categorized into standard groups for listing and assessing purposes. However, the appraiser will come across specialized property that may need to be handled in a manner that differs from the methods previously covered in this course.

Public Service Companies

A public service company is defined in G.S. 105-333 as a railroad company, a pipeline company, a gas company, an electric power company, an electric membership corporation, a telephone company, a bus line company, an airline company, a motor freight carrier company, a mobile telecommunications company, or a tower aggregator company. The term also includes any company performing a public service that is regulated by the United States Department of Energy, the United States Department of Transportation, the Federal Communications Commission, the Federal Aviation Agency, or the North Carolina Utilities Commission. The term does not include a water company, a cable television company, or a radio or television broadcasting company.

NCDOR is charged, by statute, with appraising the system property of all public service companies. It is important for counties to understand which of the public service companies' property NCDOR appraises and which property the counties are to list and assess. The companies only list with NCDOR the system property being appraised at the state level. NCDOR appraises the system property and sends the values by taxing district to the counties for assessment and collection of the tax. System property consists of the real and personal property used by the company in its public service activities. The real and business personal property that are not used in the company's public service activities remain taxable at the county level. The public service company is required to file a business personal property listing form directly with the county for non-system property.

To ensure that public service companies are reported in the proper taxing districts, the county must submit annexations, newly incorporated municipalities, and new taxing jurisdictions. A request for confirmation of taxing districts is sent to the county assessor each year in November.

Farm Equipment

The NC Farm Act of 2018 amended G.S. 105-317.1 to require county tax appraisers utilizing the cost approach method for appraising farm equipment to adopt the schedule published by NCDOR in the Cost Index and Depreciation Schedules. Appraisers are permitted to determine the market value of farm equipment using the income or sales comparison approach as well. Although the income approach holds little applicability, the sales comparison approach is most advantageous for appraising heavier equipment such as tractors and combines. Data is readily available from industry pricing guides on these types of property, based on the sales comparison approach.

A 25% residual value was established for farm equipment. However, the county appraiser may value farm equipment below the 25% residual if additional depreciation is warranted.

Computer Software

Most computer software is excluded from taxation under G.S. 105-275(40). Software is defined by the Machinery Act as any program or routine used to cause a computer to perform a specific task or set of tasks. The exclusion includes costs incurred to develop or modify software for a customers' specific needs. This can include customization completed internally or by a third party. Software vendors may require a customer to purchase a basic license and then purchase additional modifications to meet the customer's specific needs. In this case, the basic license would be taxable, while the cost of the modifications is excluded.

Software that is permanently embedded in equipment and generally cannot be removed without rendering the equipment inoperable is taxable. Embedded software is highly specialized and typically is included in the cost of the asset it is embedded into. For example, the electronic system of a motor vehicle contains embedded software. This software is not sold separately, rather it is a part of the finished product and the cost is included in the vehicle.

The cost of software that is purchased or licensed from a party unrelated to the taxpayer and is capitalized in the taxpayer's accounting records is taxable. This type of software is often referred to as packaged or canned software. An example would be a photographer that purchases photo editing software to load onto his business' computer. Packaged software that is expensed by the taxpayer is excluded from taxation.

Expensed Items

As a result of changes by the IRS to the capitalization threshold in 2016, businesses may now expense items of significant value. Previously, the expensed items category on the listing form was reserved for low cost, short lived items, having a total economic life less than three years. After the change, research was completed and it was determined that the items being expensed had an average total economic life of eight years. As a result, it is the recommendation of NCDOR that counties depreciate expensed items on the A-8 schedule. After the assets are fully depreciated over the eight-year span, the costs should be disposed and removed from the listing in the ninth year.

Construction in Progress

Construction in progress, or CIP, is an accounting term that describes a temporary, special classification of assets that are under construction. Businesses track all costs associated with the construction project in the CIP account. Upon completion of the project, the asset is placed into service, all costs are capitalized, and it begins accumulating depreciation. When the asset is capitalized, the asset's total cost in the CIP account is removed and transferred to the business' personal property and equipment account. The asset will then be listed on the business' fixed asset list.

For property tax purposes, construction in progress is taxable at 100% of the total expenditures in the CIP account as of January 1.

Idle Equipment

Equipment that has been taken off production status on a permanent basis is considered to be idle equipment. This classification should not be confused with equipment that is temporarily idle due to not yet being placed into production (CIP), a downturn in the economy, seasonal production, or routine maintenance. In most cases of idle equipment, an additional depreciation adjustment may be warranted on verified idle equipment. There is no firm guideline as to what adjustment should be made in calculating the final value. In determining the amount of adjustment, the county appraiser must review each situation, taking into account all factors affecting the property, such as: age, condition, past and future uses, marketability, remaining life, and reasons for the equipment being idle.

Billboards

The Billboard Structures Valuation Guide is developed and published annually by NCDOR for use in the valuation of outdoor advertisement structures located in North Carolina. The data contained in the guide is based on information extracted from material costs, labor, and other integral components of billboard construction. The Billboard Structures Valuation Guide can be found on the NCDOR website.

Conclusion

Valuing specialized property presents a unique challenge for the business personal property appraiser. There are often questions concerning the economic life of the property, which approach to use, or whether the property is real or personal in nature. When an appraiser is faced with this situation, it is recommended that they contact NCDOR. When doing so, NCDOR will assist in research and communicate with other jurisdictions. Final determinations will also be included in the upcoming cost index, ensuring consistency and assessment uniformity across the state.

Chapter 13 Exercise

1. Public service companies only list their ______________________ property with NCDOR for appraisal at the state level.
2. A public service company is required to file a business personal property listing form with the ______________________ for non-system property.
3. True or False: Public service company system property is billed by NCDOR.
4. True or False: Farm equipment is required to be appraised using the cost approach on the schedule published by NCDOR.
5. List two types of computer software that are not excluded from taxation.
   a. ____
   b. ____
6. Expensed items should be ______________________________ after being fully depreciated.
7. ______________________ are valued using a guide published by NCDOR that is based on information extracted from material costs, labor, and other integral construction components.

14

Final Thoughts

Final Thoughts

Over the course of this manual, we have learned about many different types of personal property. Appraisers should now have a foundational understanding of the overall assessment process, appraisal methodology, compliance reviews, and discovery. Assessment offices across the state vary in size and scope. In some offices, the assessor serves as the appraiser for both real and personal property. In large jurisdictions, appraisers may be assigned specific types of property, or strictly perform compliance reviews. This section is designed to address special issues related to personal property that may or may not be present in your jurisdiction.

Servicemembers Civil Relief Act

Active duty, non-resident military personnel are exempt from paying personal property taxes in North Carolina. This exemption is authorized by the Servicemembers Civil Relief Act (SCRA) in the United States Code (50 U.S.C. §§ 3901-4043). Specifically, 50 U.S.C. § 4001 addresses the service member's residence for tax purposes. Under § 4001(a)(1), in general, a service member will neither lose or acquire a residence for taxation purposes by reason of being absent or present in any tax jurisdiction of the United States in compliance with their military orders. The exemption applies to <u>all</u> non-business personal property, including motor vehicles, watercraft, mobile homes, etc.

The taxpayer is only relieved from paying personal property taxes in the state where they are assigned, not their state of legal residency. Tax offices typically request service members to provide a copy of their end of month leave and earnings statement (LES) to verify the state to which they withhold income tax. This is the state the military member has elected as their state of legal residence, or domicile. Regardless of whether that state assessed a personal property tax, the member is exempt from being taxed on personal property in North Carolina.

The SCRA specifically states that business personal property is not exempt. Therefore, if the service member is a business owner and lists their business personal property as a sole proprietor or partner, they are not exempt from paying the tax on the property.

Personal property that is solely owned by an active duty, non-resident service member is exempt. Personal property that is jointly owned between an active duty, non-resident service member and another person will qualify for the exemption to the extent of the service member's ownership. For example, a motor vehicle jointly owned between a qualifying service member and a non-qualifying person would be taxable at 50% of the total assessed value. Personal property that is owned jointly between two qualifying service members would be 100% exempt. Finally, personal property owned jointly between a qualifying service member and their spouse may be 100% exempt, *if* the spouse is also a qualified service member <u>or</u> qualifies under the Military Spouse Residency Relief Act.

Military Spouse Residency Relief Act

The Military Spouse Residency Relief Act (MSRRA) amended the Servicemembers Civil Relief Act in 2009. It grants the same privileges to spouses who accompany service members to duty stations, permitting them to maintain one tax domicile throughout the service member's military career. It provides that the spouse of a service member does not lose or acquire a domicile for purposes of taxation by reason of being absent or present in a tax jurisdiction, solely to be with the military member in compliance with the member's orders. It also requires that the domicile of the service member and the spouse be the same.

The Veterans Benefits and Transition Act of 2018 eliminates the requirement for military spouses to establish domicile. Under the new law, spouses can elect to claim the same state of residency for tax purposes as the service member, without ever physically residing in that state. The taxpayer would still have to provide some type of proof of election. Merely stating they have the same residency for tax purposes as the service member does not suffice.

The United States Code does not exempt the spouse from providing proof of such residency. In fact, 50 U.S.C. 4001(d)(2) clearly states the service member and spouse are not exempt from personal property taxes in their domiciliary state. In addition, a spouse may maintain legal residency in a state different than the spouse. Tax assessors will have to determine if the spouse has a bona fide legal residence in another state, and whether or not they are a legal resident of North Carolina. Proof of the election would typically be shown on a state tax return, or in the case of a state that does not tax income, a copy of a non-resident tax return filed in North Carolina. For non-employed spouses, other sources would include: voter registration, driver's license, receipt for property tax payment in the domicile state, professional license, birth certificate, high school diploma, college degrees, certificate of probate for a will filed in the domicile state, Non-appropriated Fund LES, etc. Essentially, any document the spouse can provide to show proof of election of the service member's domiciliary state for tax purposes. It is also recommended to verify the spousal status on their military ID card by confirming the sponsor (service member).

If qualified, the military spouse is exempt from personal property taxes in North Carolina. The exemption would be applied in the same manner as that of a qualified service member. In addition, the service member does not have to have ownership in the property for the spouse to claim the exemption.

Room Occupancy Tax

Room occupancy tax is assessed on a rate of gross receipts derived from the rental of room, lodging, campsite, or similar accommodation furnished by any hotel, motel, inn, tourist camp, or private residences and cottages rented to transients. This tax does not apply to any private residence or cottage that is rented for less than fifteen (15) days in a calendar year, or to any room, lodging, or accommodation supplied to the same person for a period of ninety (90) or more continuous days (G.S. 153A-155).

Rental Vehicle Tax

The rental vehicle tax is a substitution for the property tax on short-term leased or rental vehicles. The tax is levied on the gross receipts of the vehicle rental and is independent of rental vehicle taxes administered by the state. The customer is charged the rental vehicle tax as part of their total rental. A rental vehicle is defined as a motor vehicle of the private passenger type, the cargo type with a weight of 26,000 pounds or less and not requiring a commercial driver's license, or a trailer with a gross vehicle weight of 6,000 pounds or less (G.S. 153A-156).

Heavy Equipment Tax

G.S. 153A-156 and 153A-156.1 allow for the replacement of ad valorem taxes to tax on the gross receipts derived from the short-term lease or rental of heavy equipment. Lease and rental is defined in G.S. 105-187.1(7) as a lease or rental that is not a long-term lease or rental. A long-term lease or rental is defined as a lease or rental made under a written agreement to lease or rent property to the same person for a period of at least 365 continuous days (G.S. 105187.1(3)).

Local Meals Tax

Counties may adopt a local meals tax. This tax is assessed on the gross receipts of prepared foods and beverages sold within the county for consumption on or off a premises by a retailer who is subject to sales tax under G.S. 105-164.4(a)(1). This tax is in addition to state and local sales tax.

Customer Service

The public's expectation for timely, accurate, efficient, and courteous service does not change simply because they are speaking to a government agency. In fact, the expectation tends to increase because the agency is funded by public tax dollars. Citizens must engage with the agencies that exist to serve them. It is logical to believe that a positive experience will encourage the citizen to engage more frequently and more consistently with an agency. When the focus is placed on improving the citizen's experience, the result is improved voluntary compliance. This makes delivery of the services more cost effective and instills the confidence and trust of the public in the agency.

Following are some tips for excellent customer service.

Customer Service Tips

Be Patient	•Laws are confusing! Take time to discover what they really need.
Be Attentive	•Listen to understand, not to respond.
Communicate Effectively	•Keep it simple. Talk *with* your citizens, don't spout statutes.
Get Educated	•Learn about the entire office, not just your position.
Stay Calm	•Model behavior, don't mimic behavior
Show Empathy	•A little care, concern, and understanding will go a long way.
Work Hard	•Putting in a little extra effort will come back ten-fold.
Remember the Team	•Treat your coworkers as a customer. A group will progress faster than an individual.

Public Relations

Today's society is rapidly becoming customer driven, and the public is developing increased expectations of service. A good public relations program is an excellent way to manage the expectations of citizens and allows the assessor to promote the tax office in a positive manner. Simplified, public relations is the process of transferring information from an organization to the public. It involves clear, professional, open communication to the public with the goal of informing, educating, gaining compliance, or creating mutual understanding.

One of the most important efforts in a public relations campaign is the office website. The website should be simple, inviting, and written in a manner that all citizens can understand and receive beneficial information. Websites that have too much or too little information, are bogged down with statutory text, or outdated information, are ineffective and a source of frustration for the citizen. A great website will assist the office by providing necessary information without utilizing staff, allowing them time to devote to other needs of the office.

The assessor's office can also utilize social media outlets such as Twitter, Facebook and Instagram to communicate important deadlines and actions needed by the public. It not only serves as an outlet for reminders, posts can facilitate new revenue by informing the public about listing and non-permitted real property improvements. In addition, a YouTube channel can be utilized in conjunction with social media to post citizen education videos on key topics like countywide reappraisals, listing, appeals, exemptions, and pre-paying your tax bill.

A public relations program would not be complete without usage of the local newspaper and television station. Forming a positive rapport with your local media can assist the office in ensuring accurate reporting of tax office information, avoiding negative publicity. Routine press releases are also an opportunity to educate and inform the public on any matter important to the office.

Before implementing any public relations effort, social media posting, or responding publicly, county tax office personnel should consult the tax assessor or county public relations officer.

Conclusion

This course was designed to provide appraisers with the knowledge and skills necessary to perform the duties of a personal property appraiser in North Carolina, under the guidance of the county tax assessor. This manual should serve as a ready desk reference for the listing, appraisal and assessment of personal property. The manual is published by NCDOR, and we welcome your continued feedback to ensure appraisers receive the technical knowledge needed to assess personal property. We will periodically update this manual to include new laws, theory, application and special personal property issues that arise.

Chapter 14 Exercise

1. The ____ exempts active duty, non-resident military personnel from paying personal property taxes in North Carolina.

2. True or False: Under the MSRRA, spouses may elect to claim the same state of residency for tax purposes as the active duty, non-resident service member, without ever physically residing in that state.

3. A qualified, active duty, non-resident service member owns a vehicle titled jointly with a NC resident spouse. The vehicle is valued at $10,000. What would the final assessed value be after applying exemptions? ____________________

4. Ad valorem taxes are replaced by a tax on gross receipts derived from the short-term lease or rental of ____________________________.

5. What are some of the ways social media outlets can be used by the county assessor's office?

Case Study

Case Study

You have been assigned a compliance review of Circled Wagons LLC, an automotive repair shop. The facility contains a single-bay garage, office space and storage space for tools and spare parts. The shop opened in Bills County in August 2015. The taxpayer confirmed they are using the historical cost on their listing. The property is located inside the Town of Diggs, in Bills County. Bills County assesses leasehold improvements using the N-20 schedule. The assessment level in the county is 100%. The tax rates for the jurisdictions are shown in the following chart:

	Tax Rates	
Year	City of Diggs	Bills County
2021	$0.35	$0.60
2020	$0.32	$0.59
2019	$0.31	$0.58
2018	$0.40	$0.61
2017	$0.39	$0.61
2016	$0.37	$0.59

Complete the tasks below using the documents that follow.

1. Using only the 2021 listing form, received from the taxpayer on January 15, 2021, value the listed property and determine the total assessed value for the 2021 tax billing. ______________________

2. Calculate the tax bill based on the assessed value determined in task #1.
 ____

3. Audit the 2021 listing for Circled Wagons LLC. If a discovery is warranted, calculate the total amount of the discovery bill, using a discovery date of July 10, 2021. ______________________

PRINT | CLEAR

2021

COUNTY OF BILLS North Carolina

BUSINESS PERSONAL PROPERTY LISTING

FOR DEPARTMENT USE ONLY	ACCOUNT NUMBER	DATE	TWP	DISTRICT	CITY	PENALTY	VALUE

1	2	3	4	5	6	7
8	B	D	E	F	TOTAL	

Business Legal Name or Individual's Name: CIRCLED WAGONS, LLC

Trade Name or DBA:

Address: 15 BUFFALO ST

City: DIGGS State: NC Zip: 20716

PRINCIPAL BUSINESS IN THIS COUNTY: AUTO REPAIR

SIC # OR NAICS CODE: 811111

DATE BUSINESS BEGAN IN THIS COUNTY: 08-01-15

DATE BUSINESS (FISCAL) YEAR ENDS: 12-31-21

FILL IN APPLICABLE CIRCLE:

- ○ PARTNERSHIP
- ○ SOLE PROPRIETORSHIP
- ○ UNINCORPORATED ASSOCIATION
- ◉ LLC
- ○ CORPORATION
- ○ OTHER (SPECIFY)

FILL IN APPLICABLE CIRCLE: BUSINESS CATEGORY

- ○ RETAIL
- ○ WHOLESALE
- ○ MANUFACTURING
- ◉ SERVICE
- ○ LEASING/RENTAL
- ○ FARMING
- ○ OTHER (SPECIFY)

OTHER N.C. COUNTIES WHERE PERSONAL PROPERTY IS LOCATED: NONE

CONTACT PERSON FOR AUDIT: JOSHUA ALLEN, CPA

ADDRESS & PHONE: 17 MAIN ST, DIGGS, NC 00716 919-555-1234

CONTACT PERSON FOR PAYMENT & PHONE: JAMES KELLY 919-555-9812

IF OUT OF BUSINESS COMPLETE THIS SECTION

DATE CEASED:

FILL IN APPLICABLE CIRCLE:

- ○ SOLD
- ○ CLOSED
- ○ BANKRUPT
- ○ OTHER

SOLD EQUIPMENT, FIXTURES, SUPPLIES TO:

BUYER'S ADDRESS & PHONE:

PHYSICAL ADDRESS: 15 BUFFALO ST, DIGGS, NC 20716

REAL ESTATE OWNED BY: PEGULA INC.

NAME IN WHICH BUSINESS WAS LISTED LAST YEAR: CIRCLED WAGONS, LLC

NOTE: Business owners who acquired an existing business in the previous year must contact the county tax office for important listing instructions. Click on the link below for a list of county tax office phone numbers and addresses.

SCHEDULE A — **PERSONAL PROPERTY** - SEE INSTRUCTIONS

GROUP (1) MACHINERY & EQUIPMENT

YEAR ACQUIRED	PRIOR YR. COST	ADDITIONS	DELETIONS	CURR. YR. COST
2020		3,980		3,980
2019	3,300	0	0	3,300
2018	6,300	0	0	6,300
2017	4,850	0	0	4,850
2016	7,210	0	400	6,810
2015	0	0	0	0
2014	0	0	0	0
2013	0	0	0	0
2012	0	0	0	0
2011	0	0	0	0
2010	0	0	0	0
2009	0	0	0	0
2008	0	0	0	0
2007	0	0	0	0
2006	0	0	0	0
2005	0	0	0	0
PRIOR	0	0	0	0
TOTAL	21,660	3,980	400	25,240

GROUP (2) CONSTRUCTION IN PROGRESS

LIST TOTAL OF ALL PERSONAL PROPERTY EXPENDITURES IN CIP ACCOUNT ON JANUARY 1, BUT NOT INCLUDED ABOVE - ITEMIZE IN SCHEDULE G

TOTAL CIP: $ 0

GROUP (3) OFFICE FURNITURE & FIXTURES

YEAR ACQUIRED	PRIOR YR. COST	ADDITIONS	DELETIONS	CURR. YR. COST
2020		850		850
2019	0	0	0	0
2018	400	0	0	400
2017	60	0	0	60
2016	2,100	0	600	1,500
2015	0	0	0	0
2014	0	0	0	0
PRIOR	0	0	0	0
TOTAL	2,560	850	600	2,810

GROUP (4) COMPUTER EQUIPMENT

YEAR ACQUIRED	PRIOR YR. COST	ADDITIONS	DELETIONS	CURR. YR. COST
2020		0		0
2019	0	0	0	0
2018	300	0	0	300
2017	0	0	0	0
PRIOR	0	0	0	0
TOTAL	300	0	0	300

DO NOT REMIT THIS FORM TO NC DEPARTMENT OF REVENUE

County addresses and additional schedules are available at:
https://www.ncdor.gov/documents/north-carolina-county-assessors-list

Send to appropriate county tax office.

SCHEDULE A - CONTINUED

PERSONAL PROPERTY - SEE INSTRUCTIONS

YEAR ACQUIRED	GROUP (5) IMPROVEMENTS TO LEASED PROPERTY			
	PRIOR YR. COST	ADDITIONS	DELETIONS	CURR. YR. COST
2020		850		850
2019	0	0	0	0
2018	0	0	0	0
2017	0	0	0	0
2016	0	0	0	0
2015	0	0	0	0
2014	0	0	0	0
2013	0	0	0	0
2012	0	0	0	0
2011	0	0	0	0
2010	0	0	0	0
2009	0	0	0	0
2008	0	0	0	0
2007	0	0	0	0
PRIOR	0	0	0	0
TOTAL	0	850	0	850

YEAR ACQUIRED	GROUP (6) EXPENSED ITEMS	Capitalization Threshold	500	
	PRIOR YR. COST	ADDITIONS	DELETIONS	CURR. YR. COST
2020		0		0
2019	400	0	0	400
2018	0	0	0	0
2017	0	0	0	0
2016	0	0	0	0
2015	0	0	0	0
2014	0	0	0	0
2013	0	0	0	0
TOTAL	400	0	0	400

OTHER SCHEDULE A PROPERTY

Preparers of this listing form with costs to report that do not fit into any of the seven (7) groups for Schedule A should use Schedule A-1 or A-2 to report those costs. The county tax office should be contacted and made aware of this special reporting of costs prior to usage.

Do you have other schedule A property? ○ YES ◉ NO

If yes attach schedule ➡ A-1 or A-2

GROUP (7) SUPPLIES LIST COST ON HAND AS OF JANUARY 1

	COST		COST
1. OFFICE, MAINTENANCE, JANITORIAL, MEDICAL, DENTAL, BARBER AND BEAUTY SUPPLIES	120	5. RENTAL ITEMS NOT SOLD IN THE NORMAL COURSE OF BUSINESS AND NOT LISTED ELSEWHERE IN SCHEDULE A	0
2. FUELS HELD FOR CONSUMPTION	0	6. ALL OTHER MISCELLANEOUS SUPPLIES NOT LISTED ABOVE	0
3. REPLACEMENT PARTS AND SPARE PARTS	0	TOTAL	120
4. RESTAURANT AND HOTEL ITEMS SUCH AS LINENS, CLEANING SUPPLIES AND COOKWARE NOT LISTED ELSEWHERE IN SCHEDULE A	0		

SCHEDULE B

VEHICULAR EQUIPMENT & MOBILE HOMES OR MOBILE OFFICES

If you answer yes to any of questions 1-7 below, you must attach the appropriate schedule which corresponds with the equipment type listed below. If you answer yes to any of questions 1,2, 3, or 4, attach Schedule B-1, attach Schedule B-2 for watercraft, attach Schedule B-3 for mobile homes or mobile offices, and attach Schedule B-4 for aircraft. Indicate quantity of short-term rental vehicles owned for question 8.

1. Does your business own any unregistered motor vehicles? ○ YES ◉ NO
2. Does your business own any multi-year or permanently registered trailers? ○ YES ◉ NO
3. Does your business own any special bodies on vehicles? ○ YES ◉ NO
4. Does your business own any IRP (International Registration Plan) plated vehicles? ○ YES ◉ NO
   NOTE: Effective January 1, 2014, IRP plated vehicles are required to be listed with the local county tax office as part of the business personal property listing form process, unless they are already being reported as part of your Public Service Valuation with the N.C. Department of Revenue

If yes attach schedule ➡ B-1

5. Does your business own any watercraft or engines for watercraft? ○ YES ◉ NO **If yes attach schedule** ➡ B-2
6. Does your business own any mobile homes or mobile offices? ○ YES ◉ NO **If yes attach schedule** ➡ B-3
7. Does your business own any aircraft? ○ YES ◉ NO **If yes attach schedule** ➡ B-4
8. Does your business own any vehicles held for short-term rental? ○ YES ◉ NO **Quantity** ➡

SCHEDULE C

LEASED PROPERTY OR OTHER PROPERTY IN YOUR POSSESSION THAT IS OWNED BY OTHERS

N.C.G.S. 105-315 and 105-316 require every person having custody of taxable tangible personal property that has been entrusted to them by another for any business purpose, to furnish a separate list containing the name and address of the owner, along with a description of the property. If you answer yes to one of the following three questions, or are otherwise required to supply this list, **you must return the list or separate Schedule C-1 by January 15.**

1. Does your business hold any leased property owned by another party (are you a lessee)? ○ YES ◉ NO
2. Do you have any property used by your business, or in your possession, that is owned by others? ○ YES ◉ NO
3. Do you operate a mobile home park, campground, marina, aircraft storage facility, or similar business? ○ YES ◉ NO

SCHEDULE D

SEPARATELY SCHEDULED PROPERTY

1. Does your business own any artwork, displays, statues, or other personal property that is separately scheduled for insurance purposes? ○ YES ◉ NO

   Please describe the items and estimated value of items if applicable.

SCHEDULE E

FARM EQUIPMENT

Does your business own any tractors, implements, bulk barns, and/or other farm equipment? ○ YES ◉ NO ☐ COST ON SCHEDULE A

If so, list and attach separate schedule E-1. If listed by cost on Schedule A, indicate above, but still include information on separate schedule E-1.

SCHEDULE F

INTANGIBLE PERSONAL PROPERTY

Session Law 2018-98 repealed the taxation of a leasehold interest in exempt real property, effective July 1, 2019. Schedule F is no longer applicable and will be reserved for future use.

SCHEDULE G

ACQUISITIONS AND DISPOSALS DETAIL

Provide acquisition and disposal details on machinery, equipment, furniture and fixtures, computer equipment, and improvements to leased property in the prior year. If there is not enough room below, attach separate Schedule G-1.

ACQUISITIONS - ITEMIZE IN DETAIL	100% ORIGINAL COST	DISPOSALS - ITEMIZE IN DETAIL	YEAR ACQUIRED	100% ORIGINAL COST
SECURITY SYSTEM	850	STRUT COMPRESSOR	2016	400
20 TON HYDRAULIC PRESS	980	SECURITY SYSTEM	2016	600
ELECTRIC SIGN	3,000			

SCHEDULE H

REAL ESTATE IMPROVEMENTS

During the past calendar year, did your business make improvements and/or other additions to real property owned by your business? If yes, attach separate Schedule H-1 with information on such improvements. ○ YES ◉ NO

SCHEDULE I

BILLBOARDS - OUTDOOR ADVERTISING STRUCTURES

Does your business own any billboards, or outdoor advertising structures?
If yes, attach separate Schedule I-1 with requested information. ○ YES ◉ NO

SCHEDULE J

LEASED EQUIPMENT

Does your business lease equipment to others?
If yes, attach separate Schedule J-1 with requested information. ○ YES ◉ NO

AFFIRMATION

LISTING MUST BE SIGNED BY A LEGALLY AUTHORIZED PERSON - Please check the capacity in which you are signing the affirmation.

For Individual Taxpayers: ☐ Taxpayer ☐ Guardian ☐ Authorized Agent ☐ Other person having knowledge of and charged with the care of the person and property of the taxpayer.

For Corporations, Partnerships, Limited Liability Companies, Unincorporated Associations:

☒ Principal Officer of the Taxpayer
Title PRESIDENT

☐ Full-time employee of the taxpayer who has been officially empowered by a principal officer to list the property and sign the affirmation. Title ____________

☐ Authorized agent. If this capacity is selected, I certify that I have NCDOR Form AV-59 on file for this taxpayer: ☐ Yes ☐ No

Under penalties prescribed by law, I affirm that to the best of my knowledge and belief, this listing, including any accompanying statements, inventories, schedules, and any other information, is true and complete. (If this is signed by an individual other than the taxpayer, they affirm that they are familiar with the extent and true value of all of the taxpayer's property subject to taxation in this county, and that their affirmation is based on all the information of which they have any knowledge.)

Bruce Smith — Signature
01-14-21 — Date
Authorized Agent Address

(919) 555-9876 — Telephone Number
Fax Number
BRUUUUCE@CIRCLEDWAGONS.COM — Email Address

Any individual who willfully makes and subscribes an abstract listing required by Subchapter II of Chapter 105 of the North Carolina General Statutes, which they do not believe to be true and correct as to every material matter, shall be guilty of a Class 2 misdemeanor. (Punishable by imprisonment up to 60 days.)

Circled Wagons, LLC
Depreciation Schedule
December 31, 2020

Fixed Assets, at cost	$	38,700
Disposals	$	(1,000)
Accumulated Depreciation as of FYE	$	(15,918)
Fixed Assets, net of depreciation, as of FYE	**$**	**21,782**

Asset	Cost	Fiscal Year put into service (yyyy)	Useful Life (in years)	Disposals	Adjusted Cost	Accum Dep 12/31/19	2020 Dep Expense	Accum Dep 12/31/20	Net Book Value
Roof Repair	$ 800	2018	10	$ -	$ 800	$ 240	$ 80	$ 320	$ 480
20 Ton Hydraulic Press	$ 980	2020	8	$ -	$ 980	$ 123	$ 123	$ 245	$ 735
Strut Compressor	$ 50	2020	3	$ -	$ 50	$ 17	$ 17	$ 33	$ 17
Electric Sign	$ 3,000	2020	10	$ -	$ 3,000	$ 300	$ 300	$ 600	$ 2,400
Air Cond Service System	$ 3,300	2019	8	$ -	$ 3,300	$ 413	$ 413	$ 825	$ 2,475
Brake Lathe	$ 6,300	2018	8	$ -	$ 6,300	$ 1,575	$ 788	$ 2,363	$ 3,938
Heavy Duty Battery Charger	$ 1,440	2017	8	$ -	$ 1,440	$ 720	$ 180	$ 900	$ 540
Hydraulic Engine Hoist	$ 270	2017	8	$ -	$ 270	$ 135	$ 34	$ 169	$ 101
Transmission Jack	$ 2,600	2017	8	$ -	$ 2,600	$ 1,300	$ 325	$ 1,625	$ 975
Portable Poly Oil Drain	$ 540	2017	8	$ -	$ 540	$ 270	$ 68	$ 338	$ 203
Industrial workbench (2)	$ 1,500	2016	8	$ -	$ 1,500	$ 938	$ 188	$ 1,125	$ 375
Jack Stands & Pole Jack	$ 1,040	2016	8	$ -	$ 1,040	$ 650	$ 130	$ 780	$ 260
Auto Lift	$ 3,420	2016	8	$ -	$ 3,420	$ 2,138	$ 428	$ 2,565	$ 855
60 Gal Air Compressor	$ 850	2016	8	$ -	$ 850	$ 531	$ 106	$ 638	$ 213
(D) Strut Compressor	$ 400	2016	8	$ 400	$ -	$ -	$ -	$ -	$ -
Security System	$ 850	2020	6	$ -	$ 850	$ 142	$ 142	$ 283	$ 567
Office Chair	$ 400	2018	10	$ -	$ 400	$ 120	$ 40	$ 160	$ 240
Telephone	$ 60	2017	6	$ -	$ 60	$ 40	$ 10	$ 50	$ 10
Desk	$ 1,500	2016	10	$ -	$ 1,500	$ 750	$ 150	$ 900	$ 600
(D) Security System	$ 600	2016	6	$ 600	$ -	$ -	$ -	$ -	$ -
Computer	$ 300	2018	4	$ -	$ 300	$ 225	$ 75	$ 300	$ -
Office Remodel	$ 8,500	2020	10	$ -	$ 8,500	$ 850	$ 850	$ 1,700	$ 6,800
ANNUAL TOTAL	**$ 38,700**			**$ 1,000**	**$ 37,700**	**$ 11,475**	**$ 4,443**	**$ 15,918**	**$ 21,782**

Circled Wagons LLC **Balance Sheet** December 31, 2020	
Assets	
Current assets:	
Cash	157,981
Accounts Receivable	4,895
Inventory	
Raw Materials	-
Spare Parts	1,190
Supplies	120
Total current assets	164,186
Real Property	-
Personal Property & Equipment	37,700
Construction in Progress	860
Goodwill	1,485
Total Assets	**204,231**
Liabilities	
Current liabilities:	
Accounts Payable	3,854
Accrued expenses: Salaries and wages	14,597
Unearned revenue	1,263
Total current liabilities	19,714
Long-term debt	17,458
Other long-term liabilities	587
Total Liabilities	**37,759**
Capital	
Equity Capital	139,510
Retained Earnings	26,962
Capital	**166,472**
Total Liabilities & Capital	**204,231**
Check	*0.000*

Circled Wagons LLC **Income Statement** January 1, 2020 - December 31, 2020	
Revenue stream 1	240,310
Revenue stream 2	17,584
Returns, Refunds, Discounts	(3,684)
Total Net Revenue	**254,210**
Cost of Goods Sold	19,581
Gross Profit	**234,629**
Expenses	
Advertising & Promotion	1,847
Depreciation & Amortization	4,443
Insurance	2,984
Maintenance	297
Office Supplies	1,130
Rent	24,000
Salaries, Benefits & Wages	72,694
Telecommunication	820
Travel	1,145
Utilities	3,620
Section 179 Assets	1,450
Other	0
Total Expenses	114,430
Earnings Before Interest & Taxes	**120,199**
Interest Expense	300
Earnings Before Taxes	**119,899**
Income Taxes	3,694
Net Earnings	**116,205**

Appendix

Math Refresher

The purpose of this section is to review basic math concepts that will be useful in completing the calculations in this course. This refresher will cover fractions, percentages, how words translate into math symbols, multiplying fractions, and how to calculate a tax bill.

Fractions

The "/" symbol means divide.

1/2 = 1 divided by 2

1/2 = .5

2/4 = .5

4/5 = .8

With whole numbers, the denominator is always 1

5 = 5/1 = 5 divided by 1

Percentages

Percentages are another way of writing a fraction or a decimal.

1/2 = .50 = 50%

3/4 = .75 = 75%

1/10 = .1 or .10 or 10%

When converting from a decimal to a percentage, move the decimal to the right two places.

.25 = 25%

.897 = 89.7%

When converting from a percentage to a decimal, insert a decimal in the place of the percentage sign and move to the left two places.

40% = .40

99.9% = .999

Translating Words to Math

Per = Divide

60 cents per hundred dollars = .60/100

A car drives 450 miles on 15 gallons of gas. How many miles per gallon?

450/15 = 30 miles per gallon

Of = Multiply

50% of $100 = .50 x 100

What is the value for an asset at 25% residual of the historical cost $10,000?

.25 x 10,000 = $2,500 value

Multiplying Fractions

The top number is the numerator, the bottom number is the denominator.

Multiply the top number by the top number and the bottom number by the bottom number.

With whole numbers, the denominator is always 1.

5 = 5/1 = 5 divided by 1

1/4 x 1/2 = 1/8 = .125

1/2 x 10 = 10/2 = 5

3/15 x 5,000 = 15,000/15 = 1,000

Calculating a Tax Bill

Tax rate is per $100 of value.

Divide the tax rate by 100.

Multiply the final rate by the value.

County has a tax rate of .95. The property is valued at $126,000. How much is the tax bill?

(.95/100) x 126,000

.0095 x 126,000

Tax Bill = $1,197

Statute Guide

Topic	Statute
Abstracts	G.S. 105-309
Abstracts non-attorney affirmation, submission	G.S. 105-311
Advertisement of tax liens and unpaid taxes	G.S. 105-369
Affirmation	G.S. 105-310
Animal tax	G.S. 153A-153, 160A-212
Antique automobiles	G.S. 105-330.9
Appealing Property Tax Commission decision	G.S. 105-345
Appraisal firms	G.S. 105-299
Appraisal of personal property	G.S. 105-317.1
Appraisal of real property, schedule of values	G.S. 105-317
Assessor appointment, certification	G.S. 105-294
Assessor oath	G.S. 105-295
Assessor power and duties	G.S. 105-296
Assistant assessor	G.S. 105-297
Attachment and garnishment	G.S. 105-368
Board of equalization and review	G.S. 105-322, 105-323
Certificate of taxes	G.S. 105-361
Circuit breaker	G.S. 105-277.1B
Cities and towns	G.S. 105-326, 105-327, 105-328, 160A-206, 160A-207, 160A-208, 160A-208.1, 160A-209
Collection of non-residents	G.S. 105-364
Collection remedies	G.S. 105-365.1
Court of Appeals	G.S. 105-345.1, 105-345.2
Definitions	G.S. 105-273
Delivery of tax receipts, September 1	G.S. 105-352
Department of Revenue	G.S. 105-289
Disabled veteran	G.S. 105-277.1C
Discharge of real property lien	G.S. 105-362
Discovery	G.S. 105-312
Duty to list	G.S. 105-308
Duty to pay resulting from special proceedings	G.S. 105-385
Electronic listing requirements	G.S. 105-310.1

Exclusions	G.S. 105-275
Exemption or exclusion application	G.S. 105-282.1
Fiduciary liability	G.S. 105-383
Foreclosure	G.S. 105-374, 105-375, 105-376, 105-377
Gross receipts tax	G.S. 153A-156, 153A-156.1, 160A-215.1, 160A-215.2
Homestead exclusion	G.S. 105-277.1
Immaterial irregularities	G.S. 105-394
Injunction	G.S. 105-379
Leased property reporting	G.S. 105-315
Levy of property taxes	G.S. 105-347
Levy procedure	G.S. 105-367
Lien payment recovery	G.S. 105-386
Life tenant liability	G.S. 105-384
Liquidation of estate	G.S. 105-365
Listing date	G.S. 105-285
Listing period, extensions	G.S. 105-307
Listing personal property, situs	G.S. 105-304, 105-306
Listing real property	G.S. 105-301, 105-302
Local meals tax	G.S. 153A-154.1, 160A-214.1
Market value	G.S. 105-283
Mobile home	G.S. 105-316.7
Mobile home moving permit	G.S. 105-316.1, 105-316.2, 105-316.3, 105-316.4, 105-316.5
Motor vehicle combined notice, proration	G.S. 105-330.5
Motor vehicle definitions	G.S. 105-330
Motor vehicle determination date, appeal	G.S. 105-330.2
Motor vehicle due date, interest, remedies	G.S. 105-330.4
Motor vehicle exceptions	G.S. 105-330.1
Motor vehicle tax year, plate surrender	G.S. 105-330.6
Motor vehicles special committee	G.S. 105-325.1
No remedies after 10 years, pending appeals	G.S. 105-378
Non-reappraisal changes	G.S. 105-287
Occupancy tax	G.S. 153A-155, 160A-215
Order of collections, minimal taxes/refunds	G.S. 105-321
Parks, marinas, and aircraft reporting	G.S. 105-316
Permanent listing	G.S. 105-303

Personal property collection remedies	G.S. 105-366
Power to impose taxes	G.S. 153A-146
Prepayments	G.S. 105-359
Property subject to taxation	G.S. 105-274
Property Tax Commission	G.S. 105-290
Public service companies	G.S. 105-333, 105-334, 105-335, 105-336, 105-337, 105-338, 105-339, 105-340, 105-341, 105-342, 105-343, 105-344, 105-395
Public service company equalization	G.S. 105-284
PUV application, appraisal, appeal	G.S. 105-277.4
PUV definitions	G.S. 105-277.2
PUV requirements	G.S. 105-277.3
Reappraisal	G.S. 105-286
Reappraisal reserve	G.S. 153A-150
Release, refund, compromise	G.S. 105-380
Remedies of multi owners	G.S. 105-363
Review after adjournment	G.S. 105-325
Sales tax	G.S. 153A-151
Settlements	G.S. 105-373
Supreme Court	G.S. 105-345.4
Tax collector	G.S. 105-349, 105-350, 105-351
Tax liens	G.S. 105-355, 105-356
Tax notice/bill	G.S. 105-348
Tax payment due date, January 6, interest	G.S. 105-360
Tax payments	G.S. 105-357
Tax rate definitions	G.S. 153A-149
Tax receipts	G.S. 105-320
Tax scroll	G.S. 105-319
Taxes payable to	G.S. 105-353
Taxpayer remedies	G.S. 105-381
Unregistered motor vehicles, gap billing, exemptions	G.S. 105-330.3
Vehicle fee	G.S. 160A-213
Weekend or holiday due date	G.S. 105-395.1
Worthless check waiver, partial payments	G.S. 105-358

Glossary

Accumulated depreciation - The sum of all depreciation previously deducted from the historical cost of an asset.

Ad valorem - Latin meaning "according to value," in common usage an ad valorem tax is a tax levied on property in proportion to the value of the property.

Appraisal - The act of estimating the value of property. An estimate or opinion of value.

Audit - An examination of data or materials with the intent to test and verify the accuracy of financial reports or statements or to obtain complete information necessary to form an opinion as in an appraisal.

Balance sheet - A financial statement as of a specific date detailing the financial condition of a business enterprise, showing assets, liabilities, and capital.

Business Personal Property - Personal property associated with a business or used in connection with the production of income.

Capital - On the balance sheet or statement of condition, the owners' or stockholders' share of a business enterprise; it is the mathematical difference between assets and liabilities, and will usually be itemized as capital stock, surplus, and undivided profits. Also referred to as "owners' equity."

Corporation - An artificial legal entity, chartered by the State to engage in business, and having legal powers, rights, privileges, and liabilities distinct from those of its owners and officers as individuals.

Cost - The amount of consideration exchanged for the acquisition of an asset or group of assets.

Cost - capitalized - An accounting term expressing the total consideration expended necessary to acquire an asset and which also includes invoice cost, trade-in allowances, sales tax, freight, installation, and construction period interest.

Cost - historical - Original cost new to the original owner.

Cost - installed - Capitalized cost and other costs necessary to achieve normal utility of assets within an operating unit, but does not include maintenance or other operating expense. It should include repairs that extend the life of the asset.

Cost - replacement - The cost to replace a property with something comparable and having equivalent utility.

Cost - reproduction - The cost of reproducing a new replica property on the basis of current prices with the same or closely similar material and one having equivalent utility.

Depreciation - appraising - A decrease in the upper limit of value due to physical wear and tear, functional obsolescence, and/or economic obsolescence. A loss in value from all causes.

Depreciation - accounting - The amount of annual expense taken as a reduction of income necessary to recapture the cost of an asset. Does not represent actual losses in value.

Economic obsolescence - Loss in remaining value due to reasons external to the property.

Expense - A cost included on the income statement for the current period. Costs are reported as expenses in the accounting period when they are used up, have expired, or have no future economic value which can be measured.

Fair market value - The price estimated in terms of money at which the property would change hands between a willing and financially able buyer and a willing seller, neither being under any compulsion to buy or to sell and both having reasonable knowledge of all the uses to which the property is adapted and for which it is capable of being used.

Financial statements - Any written presentation of financial data, including a balance sheet, statement of condition, profit and loss statement, income statement, etc.

Fiscal year - A period between annual settlements of financial accounts for presentation.

Fixed assets - Permanent-type assets with an economic life of more than one year, e.g., real estate improvements, manufacturing equipment, motor vehicles.

Going concern value - The value of a property arrived at by considering the value in place, in use, assuming its present use is its highest and best use and assuming a transaction between a willing seller and a willing buyer whereby the buyer would continue to operate the property at its present location.

Goodwill - The excess of the consideration paid for a business as a whole over the book value of all the tangible net assets purchased; the excess of value over cost. A salable business asset based on reputation, not physical assets, e.g., an established customer base.

Idle Equipment – Equipment that has been taken off production status on a permanent basis and is not used on a day-to-day basis, but is retained based upon its potential. This future potential value is in excess of a disposal or scrap value, but less than a value-in-use based upon its current condition.

Income statement - A financial statement showing income and expenses for a business for an accounting period, and the profit or loss resulting from the related activity.

Leasehold improvements - Real estate improvements to leased property contracted for, installed, and paid for by the lessee; and which may well remain with the real estate, thereby becoming an integral part of the leased fee real estate upon expiration or termination of the current lease, but which are the property of, and should be charged to, the current lessee who installs same.

Lessee - One not owning property, who makes periodic payments for the right to use or enjoy the property; e.g., a tenant.

Lessor - The party owning the property, who allows another to take possession, use and/or enjoy the property in return for which he receives periodic payments, and retains full title to the property; e.g., a landlord.

Liability - An amount owed by one party to another, or the representation of such obligation.

Liquidation value - The price which the individual assets of an operating unit or non-operating unit would bring if disassembled, moved from its present location and sold on the open market.

Net book value - An accounting "value". Usually the undepreciated balance of the historical or original cost of an asset. "Book value" usually reflects an accommodation with income tax regulations, is characterized frequently by accelerated depreciation, usually does not reflect inflation or appreciation, and rarely bears any resemblance to fair market value. **Partnership** - A merger of two or more individuals, based on an agreement to combine their labor and resources in a business enterprise and to share profits and losses accordingly.

Percent Good Factor – The product of the trending factors and the straight-line depreciation factors. The percent good factor is used to find the current replacement cost new less depreciation.

Personal property - All tangible property other than real estate. Generally includes movable items, that is, those not permanently attached or affixed to the real estate. In determining whether an item is personal or real, there can be considered the manner in which it is affixed to the real property as well as the intention of the owner with regard to the removal of the asset at the end of a lease period. If the item can be removed without serious injury to the building or to the item itself, then it could safely be termed as tangible personal property.

Physical deterioration - Loss in value due to physical wear and tear.

Raw materials - Goods to be used as component parts of finished goods.

Real estate - The land and appurtenances, including all things not movable in nature and more or less permanently affixed to the land.

Real property - The "bundle of rights" that go with physical ownership of real estate, including the interests, benefits, and rights inherent in same.

Residual value - In appraising personal property, a minimum value below which no further depreciation is allowed so long as the property is either still in use or capable of use. The residual value is expressed in most cases as a percentage of cost. Residual values should reflect the remaining fair market value.

Salvage value - The remaining value of a piece of property (usually equipment) when it no longer is capable of performing the function or serving the purpose for which it was intended. It is the value of the component parts which may be retained for recycling, reprocessing, or which may be combined with salvageable parts from other comparable property to rebuild a similar piece of property.

Special Tools – Tools such as jigs, dies, and molds which are specifically designed for the production or processing of particular parts and have no significant utilitarian value and cannot be adapted to further or different use after changes or improvements are made in the model design of the particular part produced by the special tools.

Software - Computer programs and routines that facilitate the programming and operation of a computer.

Sole proprietorship - A business owned entirely by one individual.

Trending/Indexing - In appraising, the process of applying percentage adjustments to historical cost data to arrive at a cost to reproduce and becomes the basis for depreciation.

Value in exchange - The value of goods, services, or purchasing power which a knowledgeable buyer could reasonably be expected to offer in exchange for property in an arm's length transaction.

Value in use - The value of property to its owner or the one who enjoys its use, based on its utility and productivity to that particular person.

Business Listing Form

COUNTY OF ______ North Carolina

2021 BUSINESS PERSONAL PROPERTY LISTING

FOR DEPARTMENT USE ONLY ⇨	ACCOUNT NUMBER	DATE	TWP	DISTRICT	CITY	PENALTY	VALUE

1	2	3	4	5	6	7
8	B	D	E	F	TOTAL	

Business Legal Name or Individual's Name

Trade Name or DBA

Address

City | State | Zip

PRINCIPAL BUSINESS IN THIS COUNTY

SIC # OR NAICS CODE

DATE BUSINESS BEGAN IN THIS COUNTY

DATE BUSINESS (FISCAL) YEAR ENDS

FILL IN APPLICABLE CIRCLE:
- PARTNERSHIP
- SOLE PROPRIETORSHIP
- UNINCORPORATED ASSOCIATION
- LLC
- CORPORATION
- OTHER (SPECIFY)

OTHER N.C. COUNTIES WHERE PERSONAL PROPERTY IS LOCATED

FILL IN APPLICABLE CIRCLE: BUSINESS CATEGORY
- RETAIL
- WHOLESALE
- MANUFACTURING
- SERVICE
- LEASING/RENTAL
- FARMING
- OTHER (SPECIFY)

CONTACT PERSON FOR AUDIT

ADDRESS & PHONE

CONTACT PERSON FOR PAYMENT & PHONE

IF OUT OF BUSINESS COMPLETE THIS SECTION

DATE CEASED

FILL IN APPLICABLE CIRCLE:
- SOLD
- CLOSED
- BANKRUPT
- OTHER

SOLD EQUIPMENT, FIXTURES, SUPPLIES TO

BUYER'S ADDRESS & PHONE

PHYSICAL ADDRESS

REAL ESTATE OWNED BY

NAME IN WHICH BUSINESS WAS LISTED LAST YEAR

NOTE: Business owners who acquired an existing business in the previous year must contact the county tax office for important listing instructions. Click on the link below for a list of county tax office phone numbers and addresses.

SCHEDULE A — PERSONAL PROPERTY - SEE INSTRUCTIONS

GROUP (1) MACHINERY & EQUIPMENT

YEAR ACQUIRED	PRIOR YR. COST	ADDITIONS	DELETIONS	CURR. YR. COST
2020				
2019				
2018				
2017				
2016				
2015				
2014				
2013				
2012				
2011				
2010				
2009				
2008				
2007				
2006				
2005				
PRIOR				
TOTAL				

GROUP (2) CONSTRUCTION IN PROGRESS

LIST TOTAL OF ALL PERSONAL PROPERTY EXPENDITURES IN CIP ACCOUNT ON JANUARY 1, BUT NOT INCLUDED ABOVE - ITEMIZE IN SCHEDULE G

TOTAL CIP: $

GROUP (3) OFFICE FURNITURE & FIXTURES

YEAR ACQUIRED	PRIOR YR. COST	ADDITIONS	DELETIONS	CURR. YR. COST
2020				
2019				
2018				
2017				
2016				
2015				
2014				
PRIOR				
TOTAL				

GROUP (4) COMPUTER EQUIPMENT

YEAR ACQUIRED	PRIOR YR. COST	ADDITIONS	DELETIONS	CURR. YR. COST
2020				
2019				
2018				
2017				
PRIOR				
TOTAL				

DO NOT REMIT THIS FORM TO NC DEPARTMENT OF REVENUE

County addresses and additional schedules are available at:
https://www.ncdor.gov/documents/north-carolina-county-assessors-list

Send to appropriate county tax office.

SCHEDULE A - CONTINUED

PERSONAL PROPERTY - SEE INSTRUCTIONS

YEAR ACQUIRED	GROUP (5) IMPROVEMENTS TO LEASED PROPERTY			
	PRIOR YR. COST	ADDITIONS	DELETIONS	CURR. YR. COST
2020				
2019				
2018				
2017				
2016				
2015				
2014				
2013				
2012				
2011				
2010				
2009				
2008				
2007				
PRIOR				
TOTAL				

YEAR ACQUIRED	GROUP (6) EXPENSED ITEMS		Capitalization Threshold ⇨	
	PRIOR YR. COST	ADDITIONS	DELETIONS	CURR. YR. COST
2020				
2019				
2018				
2017				
2016				
2015				
2014				
2013				
TOTAL				

OTHER SCHEDULE A PROPERTY

Preparers of this listing form with costs to report that do not fit into any of the seven (7) groups for Schedule A should use Schedule A-1 or A-2 to report those costs. The county tax office should be contacted and made aware of this special reporting of costs prior to usage.

Do you have other schedule A property? ○ YES ○ NO

If yes, attach schedule ⇨ A-1 or A-2

GROUP (7) SUPPLIES **LIST COST ON HAND AS OF JANUARY 1**

	COST		COST
1. OFFICE, MAINTENANCE, JANITORIAL, MEDICAL, DENTAL, BARBER AND BEAUTY SUPPLIES		5. RENTAL ITEMS NOT SOLD IN THE NORMAL COURSE OF BUSINESS AND NOT LISTED ELSEWHERE IN SCHEDULE A	
2. FUELS HELD FOR CONSUMPTION		6. ALL OTHER MISCELLANEOUS SUPPLIES NOT LISTED ABOVE	
3. REPLACEMENT PARTS AND SPARE PARTS		TOTAL	
4. RESTAURANT AND HOTEL ITEMS SUCH AS LINENS, CLEANING SUPPLIES AND COOKWARE NOT LISTED ELSEWHERE IN SCHEDULE A			

SCHEDULE B

VEHICULAR EQUIPMENT, MOBILE HOMES AND MOBILE OFFICES

If you answer yes to any of questions 1-7 below, you must attach the appropriate schedule which corresponds with the equipment type listed below. If you answer yes to any of questions 1, 2, 3, or 4, attach Schedule B-1, attach Schedule B-2 for watercraft, attach Schedule B-3 for mobile homes or mobile offices, and attach Schedule B-4 for aircraft. Indicate the quantity of short-term rental vehicles owned for question 8.

1. Does your business own any unregistered motor vehicles? ○ YES ○ NO
2. Does your business own any multi-year or permanently registered trailers? ○ YES ○ NO **If yes, attach schedule** ⇨ B-1
3. Does your business own any special bodies on vehicles? ○ YES ○ NO
4. Does your business own any **IRP** (International Registration Plan) plated vehicles? ○ YES ○ NO

   NOTE: Effective January 1, 2014, IRP plated vehicles are required to be listed with the local county tax office as part of the business personal property listing form process, unless they are already being reported as part of your public service valuation with the N.C. Department of Revenue.

5. Does your business own any watercraft or engines for watercraft? ○ YES ○ NO **If yes, attach schedule** ⇨ B-2
6. Does your business own any mobile homes or mobile offices? ○ YES ○ NO **If yes, attach schedule** ⇨ B-3
7. Does your business own any aircraft? ○ YES ○ NO **If yes, attach schedule** ⇨ B-4
8. Does your business own any vehicles held for short-term rental? ○ YES ○ NO Quantity ⇨

SCHEDULE C

LEASED PROPERTY OR OTHER PROPERTY IN YOUR POSSESSION THAT IS OWNED BY OTHERS

N.C.G.S. 105-315 and 105-316 require every person having custody of taxable tangible personal property that has been entrusted to them by another for any business purpose to furnish a separate list containing the name and address of the owner, along with a description of the property. If you answer yes to one of the following three questions, or are otherwise required to supply this list, **you must return the list or separate Schedule C-1 by January 15.**

1. Does your business hold any leased property owned by another party (are you a lessee)? ○ YES ○ NO
2. Do you have any property used by your business, or in your possession, that is owned by others? ○ YES ○ NO
3. Do you operate a mobile home park, campground, marina, aircraft storage facility, or similar business? ○ YES ○ NO

SCHEDULE D

SEPARATELY SCHEDULED PROPERTY

1. Does your business own any artwork, displays, statues, or other personal property that is separately scheduled for insurance purposes? ○ YES ○ NO

Please describe the items and estimated value of items if applicable.

SCHEDULE E

FARM EQUIPMENT

Does your business own any tractors, implements, bulk barns, and/or other farm equipment? ○ YES ○ NO ○ Cost on Schedule A

If so, list and attach separate Schedule E-1. If listed by cost on Schedule A, indicate above, but still include information on separate Schedule E-1.

SCHEDULE F

INTANGIBLE PERSONAL PROPERTY

Session Law 2018-98 repealed the taxation of a leasehold interest in exempt real property, effective July 1, 2019. Schedule F is no longer applicable and will be reserved for future use.

SCHEDULE G

ACQUISITIONS AND DISPOSALS DETAIL

Acquisitions and disposals detail of machinery, equipment, furniture and fixtures, computer equipment, and improvements to leased property in the prior year. If there is not enough room below, attach separate Schedule G-1.

ACQUISITIONS - ITEMIZE IN DETAIL	100% ORIGINAL COST	DISPOSALS - ITEMIZE IN DETAIL	YEAR ACQUIRED	100% ORIGINAL COST

SCHEDULE H

REAL ESTATE IMPROVEMENTS

During the past calendar year, did your business make improvements and/or other additions to real property owned by your business? If yes, attach separate Schedule H-1 with information on such improvements. ○ YES ○ NO

SCHEDULE I

BILLBOARDS - OUTDOOR ADVERTISING STRUCTURES

Does your business own any billboards, or outdoor advertising structures?If yes, attach separate Schedule I-1 with requested information. ○ YES ○ NO

SCHEDULE J

LEASED EQUIPMENT

Does your business lease equipment to others?
If yes, attach separate Schedule J-1 with requested information. ○ YES ○ NO

AFFIRMATION

LISTING MUST BE SIGNED BY A LEGALLY AUTHORIZED PERSON - Please check the capacity in which you are signing the affirmation.

For Individual Taxpayers: ☐ Taxpayer ☐ Guardian ☐ Authorized Agent ☐ Other person having knowledge of and charged with the care of the person and property of the taxpayer.

For Corporations, Partnerships, Limited Liability Companies, Unincorporated Associations:

☐ Principal Officer of the Taxpayer
Title ______________________

☐ Full-time employee of the taxpayer who has been officially empowered by a principal officer to list the property and sign the affirmation. Title __________________________

☐ Authorized agent. If this capacity is selected, I certify that I have NCDOR Form AV-59 on file for this taxpayer: ☐ Yes ☐ No

Under penalties prescribed by law, I affirm that to the best of my knowledge and belief, this listing, including any accompanying statements, inventories, schedules, and any other information, is true and complete. (If this is signed by an individual other than the taxpayer, they affirm that they are familiar with the extent and true value of all of the taxpayer's property subject to taxation in this county and that their affirmation is based on all the information of which they have any knowledge.)

Signature ____ Date ____ Authorized Agent Address ____

Telephone Number ____ Fax Number ____ Email Address ____

Any individual who willfully makes and subscribes an abstract listing required by Subchapter II of Chapter 105 of the North Carolina General Statutes, which they do not believe to be true and correct as to every material matter, shall be guilty of a Class 2 misdemeanor. (Punishable by imprisonment up to 60 days.)

INSTRUCTIONS – Listings due By January 31.

Commonly Asked Questions

Who must file a listing, and what do I list?

Any individual(s) or business(es) owning or possessing personal property used or connected with a business or other income producing purpose on January 1. Temporary absence of personal property from the place at which it is normally taxable shall not affect this rule. For example, a lawn tractor used for personal use, to mow the lawn at your home is not listed. However, a lawn tractor used as part of a landscaping business in this county must be listed if the lawn tractor is normally in this county, even if it happens to be in another state or county on January 1.

NCGS §105-308 reads that .."any person whose duty it is to list any property who willfully fails or refuses to list the same within the time prescribed by law shall be guilty of a Class 2 misdemeanor. The failure to list shall be prima facie evidence that the failure was willful." A class 2 misdemeanor is punishable by imprisonment of up to 60 days.

When and where to list?

Listings are due on or before January 31. They must be filed with the County Tax Department. DO NOT FILE THIS FORM WITH THE NORTH CAROLINA DEPARTMENT OF REVENUE. This form will not be accepted by the NC Department of Revenue.

A list of county tax office addresses can be found at the NC Department of Revenue's Website. https://www.ncdor.gov/documents/north-carolina-county-assessors-list

As required by state law, late listings may result in a discovery with a penalty. An extension of time to list may be obtained by sending a written request showing "good cause" to the County Assessor by January 31.

How do I list? -- Three important rules:

(1) Read these INSTRUCTIONS for each schedule or group. Contact your county tax office if you need additional clarification.
(2) If a Schedule or Group does not apply to you, indicate so on the listing form, DO NOT LEAVE A SECTION BLANK, DO NOT WRITE "SAME AS LAST YEAR". A listing form may be rejected for these reasons and could result in late listing penalties.
(3) Listings must be filed based on the tax district where the property is physically located. If you have received multiple listing forms, each form must be completed separately.

INFORMATION SECTION

Complete all sections at the top of the form, whether or not they are specifically addressed in these INSTRUCTIONS. Attach additional sheets if necessary.

(1) Other N.C. Counties where personal property is located: If your business has property normally located in other counties, list those counties here.
(2) Contact person for audit: In case the county tax office needs additional information, or to verify the information listed, list the person to be contacted here.
(3) Physical address: Please note here the location of the property. The actual physical location may be different from the mailing address. Post Office Boxes are not acceptable.
(4) Principal Business in this County: What does the listed business do? For example: Tobacco Farmer, Manufacture electrical appliances, Laundromat, Restaurant. The **SIC or NAICS** code may help describe this information, if you do not know the **SIC or NAICS code**, please write "unknown".
(5) Complete other requested business information. Make any address changes.
(6) If out of business: If the business we have sent this form to has closed, complete this section and attach any additional information regarding the sale of the property.

Schedule A

The year acquired column: The rows which begin "2020" are the rows in which you report property acquired during the calendar year 2020. Other years follow the same format.

Schedule A is divided into seven (7) groups. Each is addressed below. Some counties may have the column "Prior Years Cost" pre-printed. This column should contain the cost information from last year's listing. If it does not, please complete this column, referring back to your last year's listing. List under "Current Year's Cost" the 100% cost of all depreciable personal property in your possession on January 1. Include all fully depreciated assets as well. Round amounts to the nearest dollar. Use the "Additions" and "Deletions" column to explain changes from "Prior Yr. Cost" to "Current Yr. Cost". The "Prior Year's Cost" plus "Additions" minus "Deletions" should equal "Current Years Cost" If there are any additions and/or deletions, please note those under schedule G, Acquisitions and Disposals Detail. If the deletion is a transferred or paid out lease, please note this, and to whom the property was transferred.

NOTE: If you purchased an existing business and its assets since January 1, 2020, do not complete this listing form without first contacting the county tax office for further instructions.

COST - Note that the cost information you provide must include all costs associated with the acquisition as well as the costs associated with bringing that property into operation. These costs may include, but are not limited to invoice cost, trade-in allowances, freight, installation costs, sales tax, expensed costs, and construction period interest.

The cost figures reported should be historical cost, that is the original cost of an item when first purchased, even if it was first purchased by someone other than the current owner. For example, you, the current owner, may have purchased equipment in 2020 for $100, but the individual you purchased the equipment from acquired the equipment in 2015 for $1000. You, the current owner, should report the property as acquired in 2015 for $1000.

Property should be reported at its actual historical installed cost IF at the retail level of trade. For example, a manufacturer of computers can make a certain model for $1000 total cost. It is typically available to any retail customer for $2000. If the manufacturer uses the model for business purposes, he should report the computer at it's cost at the retail level of trade, which is $2000, not the $1000 it actually cost the manufacturer. Leasing companies must list property they lease at the retail trade level, even if their actual cost is at the manufacturer or wholesaler level of trade.

Group (1) MACHINERY & EQUIPMENT

This is the group used for reporting the cost of all machinery and equipment. This includes all store equipment, manufacturing equipment, production lines (hi-tech or low-tech), as well as warehouse and packaging equipment. List the total cost by year of acquisition, including fully depreciated assets that are still connected with the business.

For example, a manufacturer of dish washers purchased a metal folding machine in October 2020 for $10,000. The sales tax was $200, shipping charges were $200, and installation costs were $200. The total cost that the manufacturer should report is $10,600, if there were no other costs incurred. The $10,600 should be added in group (1) to the 2020 current year's cost column as an addition.

Group (2) Construction in Progress (CIP)

CIP is business personal property which is under construction on January 1. The accountant will typically not capitalize the assets under construction until all of the costs associated with the asset are known. In the interim period, the accountant will typically maintain the costs of the asset in a CIP account. The total of this account represents investment in personal property, and is to be listed with the other capital assets of the business during the listing period. List in detail. If you have no CIP, write "none".

Group (3) Office Furniture & Fixtures

This group is for reporting the costs of all furniture & fixtures and small office machines used in the business operation. This includes, but is not limited to, file cabinets, desks, chairs, adding machines, curtains, blinds, ceiling fans, window air conditioners, telephones, intercom systems, and burglar alarm systems.

Group (4) Computer Equipment

This group is for reporting the costs of non-production computers & peripherals. This includes, but is not limited to, personal computers, midrange, or mainframes, as well as the monitors, printers, scanners, magnetic storage devices, cables, & other peripherals associated with those computers. This category also includes software that is capitalized and purchased from an unrelated business entity. **Note: The development cost of software or any modification cost to software, whether done internally by the taxpayer or externally by a third party to meet the customer's specified needs is excluded and should not be reported.** This does not include high tech equipment such as proprietary computerized point of sale equipment or high tech medical equipment, or computer controlled equipment, or the high-tech computer components that control the equipment. This type of equipment would be included in Group (1) or "other".

Group (5) Improvements to Leased Property

This group includes improvements made by or for the business to real property leased or used by the business. The improvements may or may not be intended to remain in place at the end of the lease, but they must still be listed by the business unless it has been determined that the improvements will be appraised as real property by the county for this tax year. Contact the appropriate county to determine if you question whether these improvements will be appraised as real property for this tax year. If you have made no improvements to leased property write "none". Do not include in this group any Store Equipment- Group (1) or Office Furniture and Fixtures-Group (3).

Group (6) Expensed Items

This group is for reporting any assets which would typically be capitalized, but due to the business' capitalization threshold, they have been expensed. (If you are able to provide the county tax office with a detailed list of costs and a description of the assets in the Expensed Items category, please do so.) Section 179 expensed items should be included in the appropriate group (1) through (4). Fill in the blank which asks for your business' "Capitalization Threshold." If you have no expensed items write "none".

Group (7) Supplies

Almost all businesses have supplies. These include normal business operating supplies. List the cost on hand as of January 1. Remember, the temporary absence of property on January 1 does not mean it should not be listed if that property is normally present. Supplies that are immediately consumed in the manufacturing process or that become a part of the property being sold, such as packaging materials, or raw materials, for a manufacturer, do not have to be listed. Even though inventory is exempt, supplies are not. Even if a business carries supplies in an inventory account, they remain taxable.

Other Schedule A Property

This category should only be used if instructed by authorized county personnel.

SCHEDULE B VEHICULAR EQUIPMENT - ATTACH ADDITIONAL SCHEDULES IF NECESSARY

Motor Vehicles registered with the North Carolina Division of Motor Vehicles as of January 1, do not have to be listed, with the exception of Multi-Year or Permanently Registered Trailers, Special Bodies on Vehicles, and International Registration Plan (IRP) Plated Vehicles. Please answer the questions on the form to determine if you should complete and attach separate schedules B-1 for certain other vehicles, B-2 for Watercraft or Watercraft engines, B-3 for Mobile Homes or Mobile Offices, or B-4 for Aircraft.

SCHEDULE C PROPERTY IN YOUR POSSESSION, BUT OWNED BY OTHERS

If on January 1, you have in your possession any business machines, machinery, furniture, vending equipment, game machines, postage meters, or any other equipment which is loaned, leased, or otherwise held and not owned by you, a complete description and ownership of the property should be reported in this section. This information is for office use only. Assessments will be made to the owner/lessor. If you have already filed the January 15th report required by §105-315, so indicate. If you have none, write "none" in this section. If property is held by a lessee under a "capital lease" where there is a conditional sales contract, or if title to the property will transfer at the end of the lease due to a nominal "purchase upon termination" fee, then the lessee is responsible for listing under the appropriate group.

SCHEDULE D, E, F, G, AND H, please answer the questions provided on the form to determine if you need to complete and attach separate schedules E-1, G-1, or H-1 to the main business personal property listing form.

AFFIRMATION

If the form is not signed by an authorized person, it will be rejected and could be subject to penalties. This section describes who may sign the listing form.

Listings submitted by mail shall be deemed to be filed as of the date shown on the postmark affixed by the U.S. Postal Service. Any other indication of the date mailed (such as your own postage meter) is not considered and the listing shall be deemed to be filed when received in the office of the tax assessor.

Any person who willfully attempts, or who willfully aids or abets any person to attempt, in any manner to evade or defeat the taxes imposed under this Subchapter (of the Revenue Laws), whether by removal or concealment of property or otherwise, shall be guilty of a Class 2 misdemeanor. (Punishable by imprisonment up to 60 days)

Name ____________ Account ____________ County ____________ Year ____________

SCHEDULE A-1 **ADDITIONAL SCHEDULES FOR MACHINERY & EQUIPMENT**

YEAR ACQUIRED	GROUP (1) MACHINERY & EQUIPMENT			
	PRIOR YR. COST	ADDITIONS	DELETIONS	CURR. YR. COST
2020				
2019				
2018				
2017				
2016				
2015				
2014				
2013				
2012				
2011				
2010				
2009				
2008				
2007				
2006				
2005				
PRIOR				
TOTAL				

YEAR ACQUIRED	GROUP (1) MACHINERY & EQUIPMENT			
	PRIOR YR. COST	ADDITIONS	DELETIONS	CURR. YR. COST
2020				
2019				
2018				
2017				
2016				
2015				
2014				
2013				
2012				
2011				
2010				
2009				
2008				
2007				
2006				
2005				
PRIOR				
TOTAL				

YEAR ACQUIRED	GROUP (1) MACHINERY & EQUIPMENT			
	PRIOR YR. COST	ADDITIONS	DELETIONS	CURR. YR. COST
2020				
2019				
2018				
2017				
2016				
2015				
2014				
2013				
2012				
2011				
2010				
2009				
2008				
2007				
2006				
2005				
PRIOR				
TOTAL				

YEAR ACQUIRED	GROUP (1) MACHINERY & EQUIPMENT			
	PRIOR YR. COST	ADDITIONS	DELETIONS	CURR. YR. COST
2020				
2019				
2018				
2017				
2016				
2015				
2014				
2013				
2012				
2011				
2010				
2009				
2008				
2007				
2006				
2005				
PRIOR				
TOTAL				

Name ____________ **Account** ____________ **County** ____________ **Year** ____________

SCHEDULE A-2 **MULTIPLE YEAR SCHEDULE FOR MACHINERY & EQUIPMENT**

YEAR ACQUIRED	GROUP (1) MACHINERY & EQUIPMENT				YEAR ACQUIRED	GROUP (1) MACHINERY & EQUIPMENT			
	PRIOR YR. COST	ADDITIONS	DELETIONS	CURR. YR. COST		PRIOR YR. COST	ADDITIONS	DELETIONS	CURR. YR. COST
2020					1994				
2019					1993				
2018					1992				
2017					1991				
2016					1990				
2015					1989				
2014					1988				
2013					1987				
2012					1986				
2011					1985				
2010					1984				
2009					1983				
2008					1982				
2007					1981				
2006					1980				
2005					1979				
2004					1978				
2003					1977				
2002					1976				
2001					1975				
2000					1974				
1999					1973				
1998					1972				
1997					1971				
1996					PRIOR				
1995					TOTAL				

Taxpayer Name ______________________ **County** ______________________ **Year** __________

SCHEDULE B-1 **UNREGISTERED MOTOR VEHICLES, TRAILER AND SPECIAL BODY INFORMATION**

YEAR	MAKE	MODEL	BODY/SIZE	TITLE #	VEHICLE ID. NUMBER (VIN)	SPEC. BODY COST	FOR OFFICE USE

Name ______ **Account** ______ **County** ______ **Year** ______

SCHEDULE B-2

WATERCRAFT AND ENGINES FOR WATERCRAFT

TYPE	YEAR/MAKE/MODEL	LENGTH/SIZE	REGIS. #	LOCATION	ENGINE TYPE	YEAR ACQUIRED/ ORIGINAL COST	FOR OFFICE USE
BOAT							
MOTOR		HP					
BOAT							
MOTOR		HP					
BOAT							
MOTOR		HP					
BOAT							
MOTOR		HP					
BOAT							
MOTOR		HP					
BOAT							
MOTOR		HP					
BOAT							
MOTOR		HP					
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MOTOR		HP					
BOAT							
MOTOR		HP					
BOAT							
MOTOR		HP					
BOAT							
MOTOR		HP					
BOAT							
MOTOR		HP					

Name ____________ **Account** ____________ **County** ____________ **Year** ____________

SCHEDULE B-3

MOBILE HOMES AND MOBILE OFFICES

YEAR	MAKE	WIDTH/LENGTH	VEHICLE ID. NUMBER(VIN)	LOCATION	YEAR ACQUIRED	ORIGINAL COST	FOR OFFICE USE

Name ______________ **Account** ______________ **County** ______________ **Year** ______________

SCHEDULE B-4

AIRCRAFT

YEAR	MAKE	MODEL	N NUMBER/TAIL NUMBER	LOCATION	YEAR ACQUIRED	ORIGINAL COST	FOR OFFICE USE

Name ______________________ **Account** ______________________ **County** ______________________ **Year** __________

SCHEDULE C-1 **PROPERTY IN YOUR POSSESSION ON JANUARY 1 THAT IS OWNED BY OTHERS**

NAME AND ADDRESS OF OWNER	DESCRIPTION OF PROPERTY	DATE OF LEASE	MONTHLY PAYMENT	LENGTH OF LEASE	ACCOUNT OR LEASE NUMBER	SELLING PRICE NEW

Name ______________ **Account** ______________ **County** ______________ **Year** ______________

SCHEDULE E-1

FARM EQUIPMENT - TRACTORS, IMPLEMENTS, BULK BARNS, ETC.

YEAR	DESCRIPTION OR MAKE	MODEL OR SERIES	GAS OR DIESEL	YEAR ACQUIRED	ORIGINAL COST	FOR OFFICE USE ONLY

Name ______________ **Account** ______________ **County** ______________ **Year** ______________

SCHEDULE H-1

REAL ESTATE IMPROVEMENTS

LOCATION: PARCEL NUMBER IF KNOWN	BRIEF DESCRIPTION	CONSTRUCTION COST	% COMPLETE ON JAN. 1

Name Account County Year

SCHEDULE G-1

ACQUISITIONS AND DISPOSALS DETAIL

ACQUISITIONS - ITEMIZE IN DETAIL	100% ORIGINAL COST	DISPOSALS - ITEMIZE IN DETAIL	YEAR ACQUIRED	100% ORIGINAL COST

Name ____________ **Account** ____________ **County** ____________ **Year** ____________

SCHEDULE I-1

BILLBOARDS - OUTDOOR ADVERTISING STRUCTURES

PANEL NUMBERS	DOT PERMIT NUMBER	LOCATION	CITY/DISTRICT/NONE	BUILD DATE	CLASS AND TYPE	HAGL FEET	DISPLAY FACE SQ FT	STACKED DISPLAY? (Y or N)	SIDE-BY-SIDE DISPLAY? (Y or N)	ILLUMINATED? (Y or N)	ORIGINAL DISPLAY FACE EQUIPMENT COST FOR ELECTRONIC, DIGITAL OR TRI-VISION	COUNTY IDENTIFICATION NUMBER

2021 Cost Index and Depreciation Schedules

North Carolina Department of Revenue
Local Government Division | Personal Property Section

The cost approach is the most widely used approach to valuing business personal property. It is calculated in a manner that gives consideration to both inflation and depreciation in arriving at a final estimate of value. The estimate of value is determined by trending the cost of an asset to arrive at the replacement or reproduction cost new, then reducing that cost to account for depreciation. The cost approach lends itself to mass appraisal and can be readily applied using the information submitted on annual property tax listing forms.

The Cost Index and Depreciation Schedules are recommended for business personal property tax valuation in North Carolina and are supported by the court system. In fact, legislation was passed that requires the use of the published schedule for farm and ranch machinery and equipment. These schedules utilize the cost approach to valuation and serve as a beneficial tool in the appraiser's effort to maintain uniformity in the appraisal of business personal property within a taxing jurisdiction. If the schedules are applied by all counties, uniformity will be achieved statewide.

It is not feasible for county tax appraisers to appraise individual assets for ad valorem purposes. Appraisers must use mass appraisal techniques to arrive at assessed values for property in their jurisdiction. The mass appraisal process values groups of properties with similar characteristics. When utilizing the cost index, the appraiser should value machinery and equipment using the schedule that corresponds with the category of the taxpayer's principal type of business. There may be categories of property not identified in the schedules. In this situation, the appraiser will use their best judgment to determine the proper schedule to arrive at fair market value. The appraiser may also contact the Local Government Division for additional guidance.

As a general rule, the useful life schedules in this publication represent the midpoint of asset depreciation ranges extracted from publications of the Internal Revenue Service, or through special studies. The trend factors are determined using the percentage price increase or decrease over the past year of similar business markets. These percentages come from the latest edition of the Producer Price Index, published by the U.S. Department of Labor's Bureau of Labor Statistics.

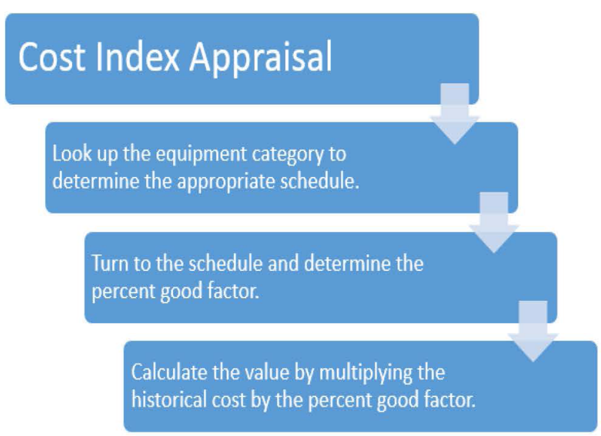
This cost index consists of tables that incorporate trend factors and depreciation percentages to appraise business personal property. The resulting figure is a composite conversion factor, which combines the trend factor and the amount of allowable straight-line depreciation based on the vintage year of the asset. The factors are expressed in this manner to eliminate additional mathematical computations in the appraisal process. These factors are labeled in the cost index as the *percent good factors*. The term *percent good* represents the remaining percentage of replacement cost after all forms of depreciation are deducted.

The starting point in the valuation of business personal property is the historical cost of an asset. The historical cost signifies the initial, installed cost of a new asset to its initial user. When assets are purchased new, this cost typically matches the capitalized cost found in the owner's accounting records. Historical cost is the full economic cost of an asset and includes <u>all</u> costs associated with constructing the asset and making it ready for its intended use.

Property normally increases in value as it progresses through production and distribution channels. The property achieves its maximum value as it reaches the consumer level of trade. It is only at this level that assessment is uniform and equitable. Therefore, businesses that use and consume property they produce or create must list such property at the retail cost of the property at the consumer level, not the manufacturer's cost to produce the property. Property purchased by wholesalers and retailers must also be listed at the retail cost of the property at the consumer level, not the cost paid to acquire the property from the manufacturer or wholesaler.

The cost index recognizes the loss in value from the routine use of business personal property over its economic life. These schedules incorporate typical physical deterioration and conditions of obsolescence. However, appraisers may need to consider adjustments to the final value estimate to account for excessive depreciation under extraordinary circumstances. This may include applying an additional depreciation percentage or lowering the standard residual percentage amount. Before making an adjustment for excessive physical deterioration, or functional or economic obsolescence, the taxpayer must provide evidence that supports the claim. Based on the evidence the taxpayer provides, and/or a physical inspection of the property, the appraiser will determine whether or not a value reduction is warranted.

To produce the assessed value of business personal property, the percent good factor is multiplied by the historical cost. It is very important to remember that the trend factors that are shown in this cost index have already been calculated into the percent good factors. Therefore, you do not apply the trend factor a second time.



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Example

A taxpayer listed commercial dry cleaning equipment at a historical cost of $100,000 that they acquired in 2015. What is the value of this equipment on January 1, 2021?

1. Look up the dry cleaning category to determine the appropriate schedule and life.

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MAJOR CATEGORY	Page	Schedule	Life
DRILLING EQUIPMENT (GAS, PETROLEUM & WATER)			
Exploration and Drilling Equipment.................................. Includes water activated well drilling equipment that is mounted on vehicles.	17	A	6
DRONES..	18	B	5
DRY CLEANING AND LAUNDRY EQUIPMENT			
Self-Serve (Coin/Card Operated)..	18	B	6
Commercial..	18	B	10
Leased and Rented Linens and Uniforms............................	24	N	2

2. Turn to Schedule B on page 18 and locate the 10 year life column. Use the 2015 acquisition year to find the intersection point with the useful life column and determine the percent good factor.

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Schedule B Valuation Table
Historical (Original) Cost
Percent Good Factors

Year Acq'd	Age	Trend Factor	3	5	6	7	8	10	11	12	20	25
			Life in Years									
2020	1	1.00	67	80	83	86	87	90	91	92	95	96
2019	2	1.03	34	62	69	73	77	82	84	85	93	95
2018	3	1.05	5	42	53	60	66	74	77	79	89	92
2017	4	1.08		25	36	46	54	65	69	72	86	91
2016	5	1.09			25	32	40	55	59	63	82	87
2015	6	1.10				25	28	44	48	55	77	84
2014	7	1.12					25	34	40	47	73	81

3. Value = Historical Cost x Percent Good Factor
   Value = $100,000 x 0.44
   Value = $44,000

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MAJOR CATEGORY	Page	Schedule	Life
C. Digital: Certain Obsolete Equipment Includes obsolete, yet functioning, 2G and 3G equipment if the carrier **HAS** deployed 4G or newer generation equipment in that jurisdiction.	18	B	3
D. Power Supply, PBX (Internal Phone System), Cabinets, Microwave Antennas	18	B	10
E. Towers, Concrete Structures Housing Cell Equipment	18	B	25
CEMENT MANUFACTURING AND CONCRETE PRODUCTS			
Cement Manufacturing Plants	17	A	20
Concrete Products Manufacturing (Blocks, Pipe, etc.)	17	A	12
Mixers (Truck Mounted)	17	A	6
Portable Ready Mix Plants	17	A	8
Ready Mix Concrete Plants	17	A	15

Note: Cement manufacturing plants have a combination of quarrying and manufacturing machinery which should be reported and appraised separately.

MAJOR CATEGORY	Page	Schedule	Life
* CHEMICAL AND ALLIED PRODUCTS Establishments producing basic chemicals and establishments manufacturing products by predominantly chemical processes such as industrial gasses, drugs, pharmaceuticals, detergents, perfumes, cosmetics, varnishes, cleaning preparations, paints, lacquers, enamels, hemp seed oil, CBD oil, etc.	17	A	10
Manufacture of Compressed Gasses	17	A	8
COMMUNICATION - TELEPHONE AND INTERCOM SYSTEMS- PAY PHONES	18	B	10
COMPUTER MANUFACTURING Includes manufacturers engaged in the assembly of computers.	21	I	8
CONTRACTOR'S EQUIPMENT			
Barricades and Warning Devices	17	A	3
Cranes to 50 Tons, Shovels to 8 Cubic Yards	17	A	10
Cranes, Shovels, and Drag Lines	18	B	25

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MAJOR CATEGORY	Page	Schedule	Life
General Construction - Highway, Dams, etc.	17	A	8
Portable Asphalt Batch Plants	17	A	6
Special Trade Contractors: Electrical Heating, Plumbing, Painting, Framing & Carpentry	17	A	10
Stationary Asphalt Batch Plants	17	A	14

COPYING AND PRINTING EQUIPMENT .... 27 U 5

Includes computer printers, network computer printers, copiers, scanners, multi-functioning devices, desktop 3-D printers, portable commercial printing equipment, and leased copying and printing equipment.

Industrial/Commercial 3-D Printers .... 17 A 11

COTTON GINS AND COMPRESSES .... 17 A 12

Cotton gin machinery for removing seeds from raw cotton.
Cotton compresses are machines used to bale cotton after ginning.

* CRYPTOCURRENCY MINING .... 27 U 8

DATA PROCESSING EQUIPMENT .... 27 U 5

This category is for non-production computers. It includes personal computers, taxable software, smartboards, midrange and mainframe computers, and their peripherals used for data processing. Includes standard IBM compatible personal computers used in manufacturing and point of sale (POS) systems, but not proprietary POS units, such as computers built specifically to be used as POS computers or other proprietary computerized systems. For POS proprietary systems and electronic cash registers, see *Store Equipment*.

This category does not include computers embedded in machinery, nor does it include equipment or computers specifically designed for use in any other application directly related to manufacturing or retail. It does not include equipment that is an integral part of other capital equipment that is included in other classes of economic activity, such as computers used primarily for process or production control, switching, channeling, and automating distributive trades and services, such as proprietary POS computer systems.

This category does not include equipment of a kind used primarily for the amusement or entertainment of the user.

Note: Accelerated depreciation is used on data processing equipment. The residual is 5%.

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MAJOR CATEGORY	**Page**	**Schedule**	**Life**
* ELECTRONIC EQUIPMENT			
A. Manufacturing of electronic communication, detection, guidance, control, radiation computation, test and navigation equipment	21	I	8
B. Manufacturers engaged only in the purchase and assembly of electronic components	21	I	12
C. Semi-Conductor Manufacturing	27	U	6
D. Semi-Conductor Testing Equip	27	U	8
E. Vapor De-pollution System	17	A	5
FABRICATED METAL PRODUCTS	17	A	12
Includes the manufacture of fabricated metal products such as cans, tin ware, hardware, metal structural products, architectural and ornamental metalwork, nuts, bolts, metal awnings, portable metal structures, etc.			
FARM AND RANCH MACHINERY AND EQUIPMENT	17	A	10
Includes all farm implements, machinery and equipment used in the production of crops and animals, on the farm processing of feeds, poultry and swine house equipment, tractors, combines, and cotton harvesters.			

Note: Whenever possible, this equipment should be appraised using the market (sales comparison) approach. There are several good pricing guides available which provide market values of farm equipment based on sales. **If the county appraises farm equipment using the cost approach, the A-10 schedule with a 25% residual is statutorily required for all equipment in this category! See G.S. 105-317.1(b1).**

MAJOR CATEGORY	**Page**	**Schedule**	**Life**
FIBER OPTICS MANUFACTURING	21	I	8
Manufacturers of glass fiber for fiber optics.			
* FOOD, BEVERAGE AND KINDRED PRODUCTS (MANUFACTURING, PACKAGING, AND PROCESSING)			
Bakery Products	17	A	12
Brewery and Distillery, Winery Equipment	17	A	12
Canned, Preserved Fruits and Vegetables	17	A	12
Confectionery and Related Products	17	A	12
Creamery and Dairy Products	17	A	12

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MAJOR CATEGORY	**Page**	**Schedule**	**Life**
Grain Mill Products	17	A	17
Includes assets used in the production of flours, cereals, livestock feeds, and other grain and grain mill products; large hammer mills.			
Grain Tanks	17	A	15
Miscellaneous Food Preparations (Examples: Honey, Potato Chips, Pet Food)	17	A	12
Sugar and Sugar Products	17	A	18
Vegetable Oil Products	17	A	18
FURNITURE MANUFACTURE OF WOOD PRODUCTS, (EXCLUDES LUMBER MANUFACTURING)	17	A	10
GLASS AND GLASS PRODUCTS (EXCLUDES MANUFACTURE OF LENSES)	17	A	14
Includes the manufacture of glassware, pressed or blown, and the manufacture of products from purchased glass, such as quartz and Pyrex, laboratory apparatus, art glass, doors made from purchased glass, glass containers, plate, safety and window glass.			
Manufacture of Mirrors	17	A	10
HOTEL, MOTEL AND RESORT EQUIPMENT	20	D	10
Televisions	18	B	5
LANDSCAPING EQUIPMENT	17	A	8

IDLE EQUIPMENT

Equipment that has been taken off production status on a permanent basis is considered to be idle equipment. This classification should not be confused with equipment that is temporarily idle due to not yet being placed into production (CIP), a downturn in the economy, seasonal production, routine maintenance, etc. Although we recommend in most cases that some additional depreciation adjustment be made to verified idle equipment, there is no firm guideline as to what adjustment should be made to determine the final value.

In determining the amount of adjustment, the county appraiser must review each situation, taking into account all the factors affecting the property such as age, condition, past and future uses, marketability, remaining life, and reasons for the equipment being idle.

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MAJOR CATEGORY	**Page**	**Schedule**	**Life**
MOTOR VEHICLE PARTS AND ACCESSORIES	18	B	12
Includes the manufacture of custom automobiles, vans, special truck bodies, catering, garbage, etc. The category also includes the manufacture of parts and accessories such as brake pads, shock absorbers, trailer hitches, etc.			
OFFICE FURNITURE, FIXTURES, MACHINES AND EQUIPMENT	22	K	10
Includes mailing and postage machines, fax machines, burglar alarms, fire alarms, office furniture, security systems, etc. It does not include personal computers.			
PAPER AND ALLIED PRODUCTS			
A. Paper Finishing and Converting	17	A	12
Includes the finishing and converting of paper into cartons, bags, envelopes, and other similar products.			
B. Pulp and Paper	17	A	16
Includes the manufacture of pulp and pulp products from wood, rags, and other fibers. Also included is the manufacture of paper and paperboard products.			
* PERSONAL CARE SERVICES	18	B	10
Includes tanning, massage, manicure, pedicure, body art (tattoo and piercing), and other related salon, spa and barbershop equipment.			
PETROLEUM PRODUCTS MANUFACTURING	17	A	14
Includes equipment used in manufacturing asphalt shingles, roofing materials etc.			
PETROLEUM AND GAS			
Natural Gas and Helium Production Plants	17	A	14
Oil and Gas Well Production Equipment	17	A	14
Includes well head equipment, gathering pipelines and related storage facilities.			
Petroleum Refining Plants	17	A	16
Petroleum Storage Facilities	17	A	16
Propane Gas Tanks and Distribution Equipment	18	B	25

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MAJOR CATEGORY	Page	Schedule	Life
PHOTOGRAPHIC			
Automatic Film Processing Equipment	19	C	9
Includes 1-hour photo type.			
Self-service Digital Input Photo Equipment	19	C	6
PLASTIC PRODUCTS	17	A	11
Includes the manufacture of processed, fabricated and finished plastic products as well as the manufacture of basic plastic materials such as plastic bottles, Styrofoam cups and packaging materials, plastic pipe, tubing, plastic screen, fiberglass bathroom fixtures, etc.			
PRIMARY METAL INDUSTRIES			
Includes most hot metal processes such as the manufacture of foundry products, castings, forgings, sheet metal, pipe tubing, structural shapes and wire.			
Ferrous - Iron	17	A	18
Non-ferrous - Aluminum, Copper	17	A	14
PRINTING AND PUBLISHING	17	A	11
Includes printing, publishing, lithography, and printing services such as bookbinding, typesetting, photo engravings, and electrotyping.			

Note: Electronic data processing and other computer equipment used in publishing should be listed and appraised separately.

PROFESSIONAL EQUIPMENT (MISCELLANEOUS)	18	B	10
Includes architects, accountants, engineers, photographic studio equipment, taxidermists, hobby and craft shops, graphic design illustrations, etc.			
* PROFESSIONAL LIBRARIES	Not Scheduled		
Accountants, Architects, Engineers, Law, Medical, etc.			

Note: Used volumes in good saleable condition should be appraised at 1/3 of original cost, regardless of age.

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MAJOR CATEGORY	Page	Schedule	Life
REFRIGERATION EQUIPMENT	18	B	10
Vacuum Cooling Stationary	18	B	10
Vacuum Cooling Portable	18	B	8
RENTAL EQUIPMENT	25	P	5
The equipment covered by this schedule consists of, but is not limited to, the following: hand tools, portable gasoline powered equipment, service equipment, small mixers, lawn and garden equipment, printing equipment, leased furniture and fixtures, etc. These schedules are also for property which is typically rented on an hourly or daily basis.			
REPAIR SHOP EQUIPMENT	17	A	10
Includes electrical, watch, clock, jewelry, radio, TV, upholstery, furniture, household appliances, welding, locksmith, shoe, etc.			
RESTAURANT, BAR AND SODA FOUNTAIN EQUIPMENT	20	E	10
Includes all eating and drinking establishments selling prepared food and/or drinks, as well as equipment installed on food trucks.			
RUBBER PRODUCTS	17	A	14
Includes the manufacture of finished rubber products.			
SCALES			
10 - 25 Tons	17	A	20
Less than 10 Tons	17	A	10
Portable	17	A	10
SCHOOL EQUIPMENT	20	D	10
SCRAP METAL	17	A	10
Equipment used in the cutting, wrecking, and storing of scrap metals.			
* SIGNS OTHER THAN BILLBOARDS	24	N	10 - 20
Includes on and off premise signs erected for the purpose of information and direction. If the sign is considered a			

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MAJOR CATEGORY	Page	Schedule	Life
"logo" type, it should be listed at historical cost and depreciated on a 10 to 20-year life.			
STONE AND CLAY PRODUCTS EXCEPT CEMENT	17	A	15
Includes the manufacture of structural clay products such as brick, tile, pipe, etc. The category also includes pottery and related products such as vitreous china, plumbing fixtures, earthenware, ceramic insulating materials, asphalt building materials, gypsum and plaster products, cut and finished stone and abrasives, asbestos, and miscellaneous non-metallic mineral products.			
STORE EQUIPMENT			
A. Retail, Wholesale and Supply	20	D	10
Includes general merchandise, building materials, hardware, apparel, accessory, furniture, home furnishings, equipment, jewelry, food, grocery, wholesale, supply, and miscellaneous retail store equipment, etc.			
B. Point of Sale (POS) and Proprietary Computerized POS Units	20	D	6
Includes peripherals, hand held computers and electronic cash registers. It does not include personal computers used as POS terminals or computers acting as servers. See *Data Processing Equipment*.			
STRAIGHT LINE SCHEDULES	24	N	
When using the straight line schedules, a residual value of 25% remains in effect unless variation is indicated by the property being appraised.			
TELECOMMUNICATIONS SWITCH MANUFACTURING			
Switch Manufacturing Equipment	27	U	8
Switch Testing Equipment	27	U	6
TESTING EQUIPMENT	25	R	8
Includes equipment used in research and development.			

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MAJOR CATEGORY	Page	Schedule	Life
TEXTILE MILL PRODUCTS Includes the manufacture of spun, woven or processed yarns and fabrics from natural or synthetic fibers.	17	A	10
Textile finishing and dying	17	A	8

Note: For idle equipment see *Idle Equipment*. A 5% residual for equipment acquired in 2009 and earlier remains applicable if deemed appropriate by the appraiser.

THEATER EQUIPMENT	20	D	10
TOBACCO AND TOBACCO PRODUCTS MANUFACTURING	17	A	15
* TOOLS, MOLDS, DIES AND JIGS Special tools are defined as tools used in manufacturing; such as molds, dies, and jigs which are specifically designed for the production or processing of particular parts and have no significant utilitarian value and cannot be adapted to a further or different use after changes or improvements are made in the model design of the particular part produced by the special tools. This category excludes general purpose small tools.	24	N	2 - 7

Note: It will be necessary to determine from the manufacturer the average life of this category of property. Once the proper life has been determined, apply the straight-line Schedule N.

TRANSPORTATION EQUIPMENT This category includes the manufacture of motor homes, campers, and motorcycles.	18	B	12
* VENDING EQUIPMENT Includes food, beverages, cigarettes, change, newspapers, photo, stamps, breathalyzer, cellphone analysis, movies, games, tools, keys, used electronics, etc.	24	N	6
Automatic Bulk Ice Vending Machines	18	B	8
WAREHOUSE MATERIALS HANDLING EQUIPMENT Includes forklifts and pallets.	17	A	10

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MAJOR CATEGORY	Page	Schedule	Life
WASTE MANAGEMENT .... Includes assets and equipment used in the collection and management of household garbage and similar waste; Green Box containers; toters; and similar equipment.	18	B	8
WIRE PRODUCTS MANUFACTURING .... Establishments primarily engaged in the manufacture of wire.	17	A	14
WOODWORKING EQUIPMENT	20	F	10

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Schedule A Valuation Table
Historical (Original) Cost
Percent Good Factors

Year Acq'd	Age	Trend Factor	Life in Years 3	5	6	8	9	10	11	12	14	15	16	17	18	20
2020	1	1.00	67	80	83	87	89	90	91	92	93	93	94	94	94	95
2019	2	1.02	34	61	68	77	81	82	84	85	88	89	89	90	91	92
2018	3	1.04	25	42	52	66	70	73	76	78	82	83	84	85	86	88
2017	4	1.07		25	35	54	60	64	68	72	76	78	80	81	83	86
2016	5	1.08			25	40	48	54	58	63	69	72	75	77	78	81
2015	6	1.09				27	36	44	48	55	62	65	69	71	73	76
2014	7	1.11				25	25	33	40	47	56	59	62	65	68	72
2013	8	1.13						25	31	37	49	53	57	60	63	68
2012	9	1.14							25	29	41	46	50	54	57	63
2011	10	1.17								25	34	39	43	48	51	59
2010	11	1.20									25	32	37	42	47	54
2009	12	1.21										25	30	35	40	48
2008	13	1.22											25	28	34	43
2007	14	1.28												25	28	38
2006	15	1.31													25	33
2005	16	1.34														27
2004	17	1.39														25

Do not apply the trend factors to the percent good factors. The percent good factors already have the trend factors incorporated. This is true for all schedules in this manual.

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Schedule B Valuation Table
Historical (Original) Cost
Percent Good Factors

Year Acq'd	Age	Trend Factor	Life in Years: 3	5	6	7	8	10	11	12	20	25
2020	1	1.00	67	80	83	86	87	90	91	92	95	96
2019	2	1.03	34	62	69	73	77	82	84	85	93	95
2018	3	1.05	5	42	53	60	66	74	77	79	89	92
2017	4	1.08		25	36	46	54	65	69	72	86	91
2016	5	1.09			25	32	40	55	59	63	82	87
2015	6	1.10				25	28	44	48	55	77	84
2014	7	1.12					25	34	40	47	73	81
2013	8	1.14						25	31	38	68	78
2012	9	1.16							25	29	64	74
2011	10	1.18								25	59	71
2010	11	1.20									54	67
2009	12	1.21									48	63
2008	13	1.22									43	59
2007	14	1.26									38	55
2006	15	1.28									32	51
2005	16	1.32									26	48
2004	17	1.34									25	43
2003	18	1.37										38
2002	19	1.38										33
2001	20	1.37										27
2000	21	1.38										25
1999	22	1.38										
1998	23	1.38										
1997	24	1.38										

Do not apply the trend factors to the percent good factors. The percent good factors already have the trend factors incorporated. This is true for all schedules in this manual.

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Schedule C Valuation Table
Historical (Original) Cost
Percent Good Factors

Year Acq'd	Age	Trend Factor	Life in Years 3	6	9	10	11	12	14
2020	1	1.00	67	83	89	90	91	92	93
2019	2	1.03	34	69	81	82	84	85	89
2018	3	1.04	25	52	70	73	76	78	82
2017	4	1.05		35	59	63	67	70	75
2016	5	1.05		25	46	53	57	61	67
2015	6	1.06			35	42	47	53	60
2014	7	1.07			25	32	39	45	54
2013	8	1.08				25	29	36	46
2012	9	1.08					25	27	39
2011	10	1.09						25	32
2010	11	1.10							25
2009	12	1.10							
2008	13	1.12							
2007	14	1.15							

Do not apply the trend factors to the percent good factors. The percent good factors already have the trend factors incorporated. This is true for all schedules in this manual.

2021 Cost Index and Depreciation Schedules

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Schedules D, E, F, G, Valuation Table
Historical (Original) Cost
Percent Good Factors

		Schedule D			Schedule E		Schedule F		Schedule G	
Year		Trend	Life		Trend	Life	Trend	Life	Trend	Life
Acq'd	Age	Factor	6	10	Factor	10	Factor	10	Factor	8
2020	1	1.00	83	90	1.00	90	1.00	90	1.00	87
2019	2	1.01	68	81	1.02	82	1.01	81	1.01	76
2018	3	1.05	53	74	1.05	74	1.03	72	1.04	66
2017	4	1.07	35	64	1.06	64	1.06	64	1.06	53
2016	5	1.08	18	54	1.07	54	1.08	54	1.07	40
2015	6	1.10	15	44	1.08	43	1.09	44	1.08	27
2014	7	1.12		34	1.10	33	1.13	34	1.11	25
2013	8	1.14		25	1.12	25	1.16	25	1.14	

Do not apply the trend factors to the percent good factors. The percent good factors already have the trend factors incorporated. This is true for all schedules in this manual.

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Schedules H, I, Valuation Table
Historical (Original) Cost
Percent Good Factors

		Schedule H					Schedule I				
Year		Trend	Life				Trend	Life			
Acq'd	Age	Factor	4	5	10	20	Factor	5	8	10	12
2020	1	1.00	75	80	90	95	1.00	80	87	90	92
2019	2	1.02	51	61	82	92	1.00	60	75	80	83
2018	3	1.04	26	42	73	88	0.99	40	62	69	74
2017	4	1.06	25	25	64	85	1.00	25	50	60	67
2016	5	1.07			54	80	1.00		37	50	58
2015	6	1.07			43	75	0.99		25	40	50
2014	7	1.08			32	70	0.99			30	42
2013	8	1.09			25	65	0.99			25	33
2012	9	1.10				61	1.00				25
2011	10	1.11				56	0.99				
2010	11	1.14				51	0.99				
2009	12	1.15				46	0.99				
2008	13	1.16				41	0.97				
2007	14	1.21				36	0.96				
2006	15	1.22				31	0.95				
2005	16	1.26				25	0.95				
2004	17	1.28					0.95				
2003	18	1.30					0.93				

Do not apply the trend factors to the percent good factors. The percent good factors already have the trend factors incorporated. This is true for all schedules in this manual.

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Schedules J, K, L, Valuation Table
Historical (Original) Cost
Percent Good Factors

		Schedule J				Schedule K			Schedule L				
Year		Trend	Life			Trend	Life		Trend	Life			
Acq'd	Age	Factor	5	8	10	Factor	5	10	Factor	5	6	14	16
2020	1	1.00	80	87	90	1.00	80	90	1.00	80	83	93	94
2019	2	1.01	61	76	81	1.02	61	82	1.05	63	70	90	91
2018	3	1.03	41	65	72	1.05	42	74	1.06	42	53	84	86
2017	4	1.06	25	53	64	1.08	25	65	1.08	25	36	77	81
2016	5	1.07		40	54	1.10		55	1.06		25	68	73
2015	6	1.07		27	43	1.10		44	1.06			60	67
2014	7	1.08		25	32	1.13		34	1.07			54	60
2013	8	1.09			25	1.16		25	1.08			46	54
2012	9	1.10				1.17			1.08			39	48
2011	10	1.12				1.19			1.10			32	41
2010	11	1.13				1.21			1.12			25	35
2009	12	1.14							1.12				28
2008	13	1.16							1.12				25
									1.12				
									1.12				

Do not apply the trend factors to the percent good factors. The percent good factors already have the trend factors incorporated. This is true for all schedules in this manual.

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Schedule M

Portable Bank Vaults, Vault Doors, Additions, Inner Gates, Vent Fans, Etc.

Age	Depreciation	Pct. Good	Age	Depreciation	Pct. Good
1	0.0	100.0	26	25.0	75.0
2	0.5	99.5	27	26.0	74.0
3	1.0	99.0	28	27.5	72.5
4	1.5	98.5	29	28.5	71.5
5	2.5	97.5	30	30.0	70.0
6	3.0	97.0	31	30.5	69.5
7	4.0	96.0	32	31.5	68.5
8	5.0	95.0	33	32.5	67.5
9	6.5	93.5	34	33.5	66.5
10	8.0	92.0	35	34.5	65.5
11	9.0	91.0	36	36.0	64.0
12	10.0	90.0	37	37.5	62.5
13	11.0	89.0	38	38.5	61.5
14	12.0	88.0	39	40.0	60.0
15	12.5	87.5	40	42.0	58.0
16	13.5	86.5	41	43.5	56.5
17	14.5	85.5	42	44.5	55.5
18	16.0	84.0	43	45.5	54.5
19	17.5	82.5	44	47.0	53.0
20	18.5	81.5	45	48.0	52.0
21	19.5	80.5	46	49.5	50.5
22	20.0	80.0	47	50.5	49.5
23	21.5	78.5	48	52.0	48.0
24	22.5	77.5	49	55.0	45.0
25	23.5	76.5	50	60.0	40.0

Note: Vaults, vault doors, additions, inner gates and vent fans depreciate the same as the main building. The depreciation factors above should only be used when this property is not included in the building valuation.

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Schedule N
Straight Line Depreciation Table

Year Acq'd	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	20	25	Age (yrs)
2020	50	67	75	80	83	86	87	89	90	91	92	92	93	93	94	94	95	96	1
2019	0	33	50	60	67	71	75	79	80	82	83	84	86	87	87	88	90	92	2
2018		0	25	40	50	57	63	67	70	73	75	77	79	80	81	82	85	88	3
2017			0	20	33	43	50	56	60	64	67	69	71	73	75	76	80	84	4
2016				0	17	29	37	44	50	54	58	61	64	67	69	71	75	80	5
2015					0	14	25	33	40	44	50	54	57	60	63	65	70	76	6
2014						0	13	22	30	36	42	46	50	53	56	59	65	72	7
2013							0	11	20	27	33	38	43	47	50	53	60	68	8
2012								0	10	18	25	31	36	40	44	47	55	64	9
2011									0	9	17	23	29	33	37	41	50	60	10
2010										0	8	15	21	27	31	35	45	56	11
2009											0	8	14	20	25	29	40	52	12
2008												0	7	13	19	23	35	48	13
2007													0	7	13	18	30	44	14
2006														0	6	12	25	40	15
2005															0	6	20	36	16
2004																0	15	32	17
2003																	10	28	18
2002																	5	24	19
2001																	0	20	20
2000																		16	21
1999																		12	22
1998																		8	23
1997																		4	24
1996																		0	25

Note: Use a 25% residual value when applying these schedules.

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Schedules P, Q, R, S, Valuation Table
Historical (Original) Cost
Percent Good Factors

		Schedule P		Schedule Q		Schedule R		Schedule S	
Year Acq'd	Age	Trend Factor	Life 5	Trend Factor	Life 5	Trend Factor	Life 8	Trend Factor	Life 5
2020	1	1.00	80	1.00	80	1.00	87	1.00	80
2019	2	1.01	61	1.00	60	1.02	77	1.01	61
2018	3	1.05	42	1.00	40	1.05	66	1.02	41
2017	4	1.06	25	1.00	25	1.07	54	1.01	25
2016	5	1.06				1.09	40	1.01	
2015	6	1.06				1.10	28	1.02	
2014	7	1.07				1.11	25	1.02	

Do not apply the trend factors to the percent good factors. The percent good factors already have the trend factors incorporated. This is true for all schedules in this manual.

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Schedule T Valuation Table
Historical (Original) Cost
Percent Good Factors

Note: When the rate of inflation is greater than the rate of depreciation, the calculated perecent good factor will exceed 100. When this occurs, the assessed value will be higher than the listed cost when appraising using the cost approach.

Year Acq'd	Age Yrs	Trend Factor	Life Years 18	Life Years 28	Life Years 50	Year Acq'd	Age Yrs	Trend Factor	Life Years 28	Life Years 50
2020	1	1.00	94	96	98	1995	26	1.67		80
2019	2	0.92	82	86	89	1994	27	1.73		80
2018	3	0.93	78	83	88	1993	28	1.78		78
2017	4	0.96	75	82	88	1992	29	1.84		77
2016	5	0.97	70	79	87	1991	30	1.87		75
2015	6	1.01	67	79	89	1990	31	1.89		72
2014	7	1.12	68	84	96	1989	32	1.96		70
2013	8	1.16	65	83	98	1988	33	2.10		71
2012	9	1.24	62	84	101	1987	34	2.23		71
2011	10	1.26	56	81	101	1986	35	2.30		69
2010	11	1.29	50	79	101	1985	36	2.75		77
2009	12	1.30	43	74	99	1984	37	3.00		78
2008	13	1.29	36	69	96	1983	38	3.13		75
2007	14	1.32	29	66	95	1982	39	3.36		74
2006	15	1.33	25	62	93	1981	40	3.81		76
2005	16	1.35		58	92	1980	41	3.98		72
2004	17	1.37		54	91	1979	42	4.71		75
2003	18	1.39		50	89	1978	43	4.88		68
2002	19	1.40		45	87	1977	44	5.09		61
2001	20	1.44		41	86	1976	45	5.42		54
2000	21	1.47		37	85	1975	46	5.82		47
1999	22	1.48		32	83	1974	47	6.10		37
1998	23	1.50		27	81	1973	48	6.37		25
1997	24	1.53		25	80	1972	49	6.63		
1996	25	1.60			80	1971	50	6.66		

Do not apply the trend factors to the percent good factors. The percent good factors already have the trend factors incorporated. This is true for all schedules in this manual.

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Schedule U Valuation Table
Historical (Original) Cost
Percent Good Factors

Year Acq'd	Age	Trend Factor	5		6	8	12
						Life in Years	
2020	1	1.00	80	1.00	68	72	92
2019	2	1.02	61	1.00	51	60	84
2018	3	0.94	37	1.00	35	48	70
2017	4	0.93	19	1.00	18	35	62
2016	5	0.93	5	1.00	11	23	54
2015	6	0.87		1.00	5	15	44
2014	7	0.83		1.00			35
2013	8	0.81		1.00			27
2012	9	0.79		1.00			20
2011	10	0.75		1.00			15

Do not apply the trend factors to the percent good factors. The percent good factors already have the trend factors incorporated. This is true for all schedules in this manual.