January 15, 2009

Excerpts from State Tax Commission Bulletin No. 12 of 1999

Construction-In-Progress

In the past, the procedure for valuing construction-in-progress provided that all machinery and tools being installed or constructed on tax day should be reported to the assessor at 100% of original costs. The assessor would then deduct a construction-in-progress allowance of 50% to arrive at the true cash value estimate.

On the tax day on which construction was complete, the total costs including freight, installation and sales tax would then be reported in the year of completion even though they were incurred over several years. The assessor would then begin to value the machinery and/or tools using the original cost multipliers. The year of completion would become the year of purchase for reporting purposes on the personal property statement.

THESE PROCEDURES HAVE NOT CHANGED.

Example: A machine was under construction during calendar year 1998 and $75,000 of costs were incurred as of 12-31-98. The construction was completed in calendar year 1999 at an additional cost of $25,000. For this example, $75,000 should be reported as Construction in Progress on the 1999 Personal Property Statement. $100,000 should be reported as a 1999 acquisition on the 2000 Personal Property Statement.

Idle Equipment, Obsolete or Surplus Equipment

In the past, separate consideration was given to idle equipment and to obsolete or surplus equipment.

Idle Equipment was reduced to 50% of the value obtained after applying the normal personal property multipliers to original acquisition costs. Obsolete or Surplus Equipment was reduced to 25% of the value obtained after applying the normal personal property multipliers to original acquisition costs.

THESE PROCEDURES HAVE CHANGED STARTING WITH 2000 ASSESSMENTS.

Starting with 2000 assessments, the categories of idle equipment and obsolete or surplus equipment have been combined. IF a personal property asset qualifies as either idle equipment or obsolete or surplus equipment, the assessor shall apply a multiplier of .40 to the value obtained by applying the personal property multipliers to original acquisition costs. If an asset qualifies as both idle equipment and obsolete or surplus equipment, it still only receives one reduction multiplier of .40. There is no longer any situation where the multiplier is .25 or .50.

This policy replaces that part of the policy contained on page 15-5 of Volume III of the Assessor's Manual which provides for separate multipliers for idle equipment and obsolete or surplus equipment.