BUSINESS PERSONAL PROPERTY

What is it?
Where is it?
What is it worth?

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This document is prepared as an outline and reference for various personal property topics. Participants are encouraged to engage in discussion about issues associated with the definition, discovery, valuation and other topics related to personal property.

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Subject Material

1. **What is Personal Property?**
2. **Exemptions**
3. **Where is Personal Property?**
4. **Verification of the Assessment - Auditing**
5. **What is it Worth?**
6. **Sample Problems**
7. **Conclusion**

<u>Section 1. What is Personal Property?</u>

Furniture, office equipment, machinery & equipment and automobiles are examples of personal property. There is little dispute about these fixed assets. Most statutes do not attempt to provide a comprehensive list of all assessable fixed assets, but rather define it as something that is not real estate. The fixed assets are assessable unless they are specifically exempt.

The dispute generally centers on whether or not an item is real property or personal property. The International Association of Assessing Officers, in the Course 500 text provides two tests for determining whether an item is real or personal. The course states: "Two commons tests are: the intention of the person who put the item in place, and whether the item may be removed from the real estate without damage to either." Other practical tests for determining real property from personal property include an analysis of the physical annexation of the property and the specific purpose of the property.

Discussion points:

Movable versus Affixed?
Keys?
Conveyors?
Electrical Wiring?
Concrete Flooring?
Other?

Section 2. Exemptions

Exemptions vary from state to state. Typically, schools, hospitals, religious institutions and government property are exempt. Other properties may be exempted from taxation legislatively.

The determination of an exemption can only be made if the property is discovered. This is a basic concept with broad meaning. Omissions from an assessment roll create an unfair and unintended "exemption".

Discussion points:

Public School Furniture?
Furniture in the Assessor's Office?
Fire Department Trucks?
Software – Operational / Application?
Inventory?

Characteristics of Operational Software:

a) Incorporated as a permanent component of the computer, machine, equipment, etc.
b) The cost is included as part of the hardware and cannot be excluded from the purchase.

Characteristics of Application Software:

a) Is generally added as an option to the operating system of the computer.
b) May not be included with the original purchase of the computer, however if it is, is usually listed separately with a separate price.

<u>Section 3. Where is Personal Property?</u>

It is important for the assessing officer to identify all personal property subject to taxation and having situs as of tax day.

There are numerous resources available to assessing officers to discover where personal property is within the municipalities they assess. Some of those resources include:

Building Permits
Business Licenses
Trade Magazines
Phone Books
Personal Property Statements
Other?

The most comprehensive method available to assessing officers is a physical inspection or canvass. The assessing officer must be extremely knowledgeable about the businesses and property they are required to assess. It will be useful and beneficial for the assessing officer to organize existing information before the field work begins. There are basically 8 steps in a canvass. They are:

1. **<u>Organize</u> prior assessment records. The foundation for future discoveries is based on what is already known. Geographic areas, roads, routes or street order is recommended.**

2. **<u>Visit</u> each site or parcel and interview the property owner and/or business owner.**

3. **<u>Inquire</u> whether there is any property in their possession owned by others.**

4. **<u>Determine</u> whether there are any subtenants at the location.**

5. **<u>Seek</u> permission to tour the premises to observe the property. Make general notes about the business type, assets and quantity to use as a comparison to a subsequent assessment of the property.**

6. **<u>Estimate</u> the square footage of the property to help in the event the owner of the property fails to file a personal property statement.**

7. **<u>Verify</u> the business name, location, address and mailing address.**

8. <u>Record</u> the name of the individual interviewed, their title, the phone number and date of the interview, for future reference.

Discussion points: What assessable property may be located at?

Grocery stores, convenience stores
Gas stations
Communications equipment
Dumpsters
News Boxes
Apartments, hotels, motels
Other?

Discovery is the single most important aspect of the administration of a personal property assessment program. The assessing officer cannot begin to value property that we do not know exists. The population of personal property within a municipality continually changes. Property may be moved, disposed of, sold, idled, purchased, etc. Therefore, an annual canvass is necessary to complete an accurate assessment roll.

<u>Section 4. Verification of the Assessment – Auditing</u>

Auditing is a method of verifying the accuracy and validity of the assessment and/or personal property statements. Auditing can be used to verify the estimated assessment that was placed on property when a statement either was not filed, or not filed accurately. Auditing can also be used to verify that the statement filed that was used as the basis of the assessment did not contain errors. Auditing improves the quality of the assessment roll. Auditing:

1. Provides for a fair distribution of taxes

2. Encourages compliance

3. Expands the discovery of property

The audit selection process will vary as the audit program in a municipality matures. For example if a community has performed routine audits in the past and the auditors do not have extensive experience, then it would be prudent to audit a variety of properties including offices, gas stations, retail stores, etc. that are less complex. These types of properties can be used as a comparable property of other similar property types with the community to establish equity.

As the audit program matures, the nature of the audit selections may increase in complexity. These may include large commercial facilities, industrial plants and unique properties.

Properties that are typically included in the <u>audit selection</u> are:

1. Business property that is "new" in a municipality and the business owner fails to file a personal property statement.

2. Business property that is "new" to the municipality and the business owner fails to file an accurate statement. The assessor should compare the statement filed for a new business with the notes from the observations may during the discovery of the property, specifically the canvass.

3. Business property that is "new" to the municipality and files a statement that is deemed to be reliable may be audited in its second or third year of business.

4. A business that has increased significantly in assessed value may be selected for an audit. The increase could be reflective of an accounting change as opposed to a change in the fixed assets.

5. A business that has a significant reduction in assessed value may be selected for audit. As stated in item #4, the reduction could be reflective of an accounting change as opposed to a change in the fixed assets.

6. Data for valuation studies and economic life studies may be obtained by conducting audits on similar property types.

7. The scope of the audit may include all locations subject to taxation within the municipality.

The comprehensive list of potential audits should be reviewed to ensure that the scope of work can be accomplished within the time restrictions of the assessor's office and the current skill set of the staff. Continuing education should be an integral part of the assessor's office.

Auditing can be defined as a systematic set of procedures used to verify the accuracy and validity of the assessment. It is important to follow prescribed steps and procedures for personal property audits. From the stages of the audit, through its completion the process and communications should be well documented.

Listed below are the basic steps in a personal property audit program:

1. **<u>Notify</u> the property owner of the audit.**

Sample Letter:

> **Dear Property Owner:**
>
> **In accordance with the General Property Tax Laws of the State, the assessor's office is annually engaged in the study of Personal Property valuation. Therefore, to ensure that all taxpayers have been equitably assessed, it is necessary to verify the Personal Property Statements they were required to file.**
>
> **<u>(Fill in) Auditor's Name,</u> auditor for the personal property division, will be present at your place of business in <u>(fill in) City on (fill in) Date.</u>**
>
> **Please have the necessary records available, including depreciation schedules, general ledgers, balance sheets, income statement and supporting journals, so that the auditor can establish the original cost and year of acquisition and installation of all assets at this location as of December 31, <u>(fill in) Year</u>.**
>
> **Sincerely, <u>(fill in) Name</u>**

2. **Obtain <u>copies of the personal property renditions</u>. The auditor should have copies of statements for all tax years being audited (if they exist).**

3. **<u>Contact the taxpayer</u> by telephone to confirm the audit date and time. (Optional) If the audit is large and/or complex, the auditor may confirm the audit date and time to maximize productivity.**

4. **<u>Pre-audit preparation</u>.**

   a) **Review the filing history of the property owner.**
   b) **Obtain copies of any prior audits to use as a resource and reference.**
   c) **Review canvass notes for past several years.**
   d) **Check for any recent building permits.**
   e) **Review assessor's records for any documents relative to the property owner's assessment. (leased equipment, planning department action, zoning issues).**
   f) **Determine the year the business started and incorporated. Determine if the assets were re-booked at the time of incorporation.**
   g) **Determine if the business was new or purchased as an on-going business. Were the assets purchase used?**

5. <u>Interview</u> the property owner or representative.

a) **Does the company record sales tax, freight and installation as part of the cost new of a fixed asset?**
b) **Does the company write off fully depreciated assets?**
c) **Does the company records all equipment repairs as an expense?**
d) **Does the company record physical disposals of property?**
e) **Does the company have property that was located in another municipality on tax day?**
f) **Ask about the capitalization policy and expense policy.**

Discussion Points:

"Minimum Costs"
Section 179 Assets

In 1981 the Economic Tax Recovery Act permitted taxpayers to expense fixed assets, with certain limitations and restrictions. The expense schedule is as follows:

Year	Allowable Amount
1982-1986	$5,000
1987-1992	$10,000
1993-1995	$17,500
1996-1997	$18,000
1998	$18,500
1999	$19,000
2000	$20,000
2001-2002	$24,000
2003	$100,000
2004	$102,000
2005	$105,000
2006	$108,000
2007	$125,000
2008	$128,000
2009	$128,000 + COLA
2010	$128,000 + COLA
2011	$25,000

6. Conduct a <u>physical inspection</u>. Record a list of the fixed assets at the site. Select specific assets as samples. Samples should include:

- **a) Older assets that are most likely fully depreciated to verify that they remain on the fixed asset schedules of the company.**
- **b) Complex assets that most likely involved installation costs. Examine the invoice to determine if installation was included in the capitalized costs.**
- **c) Lower cost items to verify the expense / capitalization threshold.**
- **d) Machines that may have been modified to rebuilt to determine if those costs were capitalized.**
- **e) Other?**

7. <u>Review the financial records</u>. The basic accounting records for review should include:

- **a) A Balance Sheet for all relevant dates. (See Exhibit 1)**
- **b) Depreciation Schedules. (See Exhibit 2)**
- **c) Income & Expense Statements. (See Exhibit 3)**
- **d) Receipts**
- **e) Tax Returns**
- **f) Journal Entries**
- **g) Other?**

Exhibit 1

BALANCE SHEET

Name: ______________________

Address: ______________________

DEBIT	CREDIT
ASSETS	LIABILITIES AND NET WORTH
CURRENT ASSETS	CURRENT LIABILITIES
Cash on Hand	Accounts Payable (Net Due)
Bank Balances	Accounts Payable (Past Due)
Marketable Securities	
Accounts Receivable - Customers	Notes Payable - Banks
Accounts - Current	Notes Payable - Merchandise
Accounts - Past Due	Notes Payable - Other
Total	Reserve - Federal Taxes
Less Reserves	Reserve - Other Taxes
Notes Receivable - Customers	
	ACCRUED EXPENSES
INVENTORY	Salaries & Wages
Raw Material	
Work in Process	
Finished Stock	
Supplies	
	Total Current Liablilities
OTHER CURRENT ASSETS	
	Mortgage Payable
	Long Term Notes
Total Current Assets	
FIXED ASSETS	
Land	TOTAL LIABLILITIES
Buildings	
Furniture & Fixtures	NET WORTH
	Captial Stock
Machinery & Equipment	Preferred
	Common
	Paid in or Capital Surplus
Total	Retained Earnings
Less Depreciation	
OTHER ASSETS	
Loans and Advances	
	Total
Prepaid Expenses	Less Treasury Stock
	Stockholders Equity
	NET WORTH

A balance sheet is an accounting report prepared as of a specific date. They may be prepared quarterly or at a minimum, annually. The balance sheet should be prepared by the accountant or another qualified individual, so that it is easily understood and accurately reflects the categories of:

1. **Assets**
2. **Liabilities**
3. **Net Worth**

<u>Assets</u> may be classified in several broad categories. These are typically current assets, investments, fixed assets and intangible assets.

Current assets are cash accounts or accounts that can be easily converted to cash. Petty cash, savings accounts and checking accounts are current assets. Other current assets may include accounts receivable, inventories and prepaid expenses. Assets classified as investments generally include holdings of stock and bonds.

The fixed asset section of the balance sheet is the primary area of focus for the personal property auditor. The fixed asset section contains accounts for land, buildings, furniture & fixtures, machinery & equipment, computers and vehicles. Generally Accepted Accounting Principles (GAAP) provide approved methods for accountant's record keeping. It is common practice for accountants to capitalize assets at cost, or an allocated used purchase price.

Intangible assets include goodwill, patients, copyrights, and similar non-physical items with value. Goodwill is the value attributed to a business in part, based on name recognition. It is the value of the business over the value of the tangible assets, sometimes referred to as the "blue sky".

<u>Liabilities</u> are generally classified in 2 categories. They include:

1. **Short term liabilities**
2. **Long term liabilities**

Short term liabilities include accounts payable, reserves for payroll, accrued wages and other obligations that are intended to be paid in the near future. Long term liabilities include items such as mortgages and notes payable that generally require several years for payment.

<u>Net Worth</u> is the section of the balance sheet that represents equity or capital. It may be identified as capital stock, common stock and retained earnings. Capital other than stock should be identified as paid in capital and/or retained earnings.

Exhibit 2

DEPRECIATION SCHEDULE

NAME ______________________ SOCIAL SECURITY OR IDENTIFICATION NUMBER ______________________

ADDRESS ______________________ YEAR ENDING ______________________ 19

1. KIND OF PROPERTY	2. DATE ACQUIRED	3. COST OF BASIS TO BEGIN	BASIC ADJUSTMENTS 4. SALVAGE VALUE	BASIC ADJUSTMENTS 5. SPECIAL FIRST YEAR DEPRECIATION	6. ADJUSTED COST OF BASIS AT END	7. METHOD	8. RATE OR LIFE (YEARS)	9. DEPRECIATION ALLOWED PRIOR YEARS	10. REMAINING BASIS TO BE RECOVERED
Building									
Furniture & Fixtures									
Machinery & Equipment									
Vehicles									

Plus additional special first year depreciation for this year

TOTAL DEPRECIATION . . . .

The <u>Depreciation Schedule</u> is used by accountants to calculate the measured expense to be taken with a certain revenue period. The matching principle or theory in accounting requires that expenses are to be recognized in the same period in which revenues are earned. This period is generally one year. A machine deemed by the Internal Revenue Service (IRS) as having a life of 5 years, much be depreciated over that 5 year period, and cannot be taken in a single year, exclusive of Section 179 assets and other specific exceptions.

The accountant measures the assets life by the standards allowed by the IRS. Rapid write off periods are frequently used, generally for economic reasons. A rapid write off creates a greater expense, which reduces net income in the same accounting period, therefore reducing the business' income tax liability.

Exhibit 3

PROFIT AND LOSS STATEMENT

	YEAR TO DATE				MONTH OF 19			
INCOME:								
Sales	$				$			
Total Income			$				$	
COST OF SALES:								
Inventory to Begin	$				$			
Merchandise Purchased								
Total	$				$			
Less Inventory at End								
Cost of Sales			$				$	
GROSS PROFIT			$				$	
EXPENSES:								
Advertising	$				$			
Auto & Trucks								
Bad Debts								
Depreciation								
Discounts and Allowances								
Freight, Express, Delivery								
General and Miscellaneous								
Heat, Light, Power and Water								
Insurance								
Interest								
Laundry and Cleaning								
Legal and Accounting								
Office Expense, Printing and Postage								
Repairs								
Rent								
Supplies								
Salaries and Wages - Employees								
- Officers								
Taxes: F.I.C.A.								
General								
State Sales								
Unemployment								
Telephone and Telegraph								
Travel and Entertainment								
Total Expenses			$				$	
Net Operating Profit or Loss								
OTHER INCOME								
Total								
OTHER EXPENSES								
TOTAL NET PROFIT or LOSS			$				$	

An Income Statement is a document prepared at the end of the financial period, usually annually. The income statement provides a summary of revenues and expenses.

All sources of income and revenue are listed for the accounting period. The costs of goods sold are deducted from the total revenues resulting. A positive number is gross profit and a negative number is loss.

Specific expense accounts may require careful review by the personal property auditor. Accounts for consideration include:

1. **Depreciation expense**
2. **Freight & Delivery expense**
3. **Repair expense**
4. **Rental expense.**

The Depreciation Expense account may include section 179 assets, which is permitted for income tax purposes. However, unless specifically exempted from property taxes, Section 179 assets are assessable.

Freight & Delivery expenses may include costs incurred by the property owners for installing fixed assets or service charges for the delivery of fixed assets. Unless specifically exempted by statute, all costs associated with placing a property into service are subject to taxation.

The Repairs expense account should include items of an incidental nature intended to keep the machinery and equipment in efficient operating condition. If the repair expense prolonged the economic and useful life of the fixed asset, the expense may more appropriately be considered an assessable improvement to the fixed asset.

The Rent expense account may include payments to others for property having situs in the assessment jurisdiction. Rental property having situs as of tax day should appear on the assessment roll, unless specifically prohibited by statute.

8. <u>Prepare the audit findings</u>. It is important for the auditor to document the review and analysis of the financial records that were used to determine the assessable fixed assets. The documentation should be recorded in an organized way and is called an "Audit Trail". An Audit Trail is illustrated below:

Balance Sheet as of December 31, 2007

Computers		**$178,500**
Deduct exempt software:		
2005	**$40,000**	
2006	**$15,000**	
2007	**<u>$10,000</u>**	**-$65,000**
Add Section 179-Hardware:		
2007	**$25,000**	**<u>+$25,000</u>**
Total Assessable Computers		**$138,500**

The audit trail documentation should be developed and maintained for each fixed asset account.

9. Notify the property owner of the <u>audit results</u>. Send a copy of the proposed audit to the property owner. Indicate whether or not the results will change the current and/or prior year's assessment and taxes. Encourage the property owner to notify the auditor within a certain timeframe with any disputes they may have.

10. <u>Prepare the final audit</u> report. Review any information that the property owner may have submitted regarding the proposed audit findings. Modify the audit if necessary and finalize the documents.

11. <u>Modify assessments as required</u> and/or permitted by statute.

Section 5. What is it Worth?

Most states and municipalities require the owners of assessable personal property to file a personal property statement. The statement may be used as the basis of the assessment. Personal property is generally deemed as self-reporting tax system. The assessing officer does not comparable sales to consider in the valuation of the property or other relevant data and therefore relies on the self-reporting system.

The self-reporting system typically requires the reporting of asset type by year of installation. Assessing officers generally rely on prescribed composite multipliers to estimate the market value of the fixed assets. That is the assessing officer multiplies the original cost by the composite multiplier to estimate market value. The multipliers are designed to determine the assets reproduction/replacement cost new and provide for depreciation. This is the theory of the cost approach.

The cost approach is one of 3 approaches to value. The other 2 are the sales comparison approach and the income approach. Should the assessor rely on just the cost approach to estimate market value? No, there all 3 approaches to value that should be considered. The value of property is based on measuring the strengths and weaknesses of all 3 approaches.

The cost approach is the method most frequently used because it provides the greatest degree of equity in the mass appraisal of personal property.

The sales comparison approach can be a strong method however; it is rarely used in mass appraisal of personal property because of the limitation of quality sales data. Transfers of ownership of personal property may not require any deed recordings. Sales of entire businesses may include real property, intangibles, inventory and personal property. It would be difficult to extract the value of only the assessable property from the total selling price.

The income approach may be useful in valuing personal property in which an income stream can be developed. However, the assessor may not be able to perform this analysis for all asset types.

For self-reporting personal property statements, the cost approach, using a series of multipliers or composite multipliers typically provides the most equitable, uniform and reliable measure of market value. However it is equally as important to maintain the accuracy of the prescribed multipliers. Regular studies should be performed to maintain the integrity of the multiplier that is used for each fixed asset type.

Section 6. Sample Problems

PROBLEM #1

AUDITING - A HANDS ON EXAMPLE

Personal Property Audit for Amazing Company
As of 12/31/97

AMAZING COMPANY FACTS:

1. **Amazing Company has expensed Machinery & Equipment of $10,000 which was purchased in 1997.**
2. **Fully Depreciated Assets are not written off the records.**
3. **The computers have a shorted economic life and must be valued separately.**
4. **Vehicles are exempt from taxation.**
5. **Software is exempt from taxation. (Custom and Packaged)**
6. **Real property is valued separately.**

FIELD OBSERVER ____________
AUDITOR ____________

DATE OF LETTER:
DATE OF APPOINTMENT
RESCHEDULED INFO:
DATE OF REFERRAL

		UNKOWN	
		CORPORATION	
COMMERCIAL		PARTNERSHIP	
INDUSTRIAL		INDIVIDUAL	

LOCATION OF RECORDS

ATTENTION:
Company Name
Address
City and Zip Code
Accountant's Telephone
CVT

Type of Business ______________________________ Estab. Code ____________ Date Inc. __________
Other Locations ______________________________ Year Bus. Started _______

YEAR PCH'D	**COMPUTER EQUIPMENT**		**MACHINERY & EQUIPMENT**	**FURN, FIX & SIGNS**		**TOTAL**	**%**	**VALUE BY ASSESSOR**
PRIOR								
TOTAL								
TOOLS, DIES, JIGS			COST		N/B/V			

OTHER			
PERSONAL			
PROPERTY			
Form 4562-Sec-179 Expensed Assets			
Construction in Progress			
Other Business at this Location:			

	EQUIPMENT		OTHER	APPR VALUE		
					TRUE CASH VALUE	
FILED					EXEMPTION	
AUDIT					NET TOTAL	
Notes					ASSESSED VALUE	
					RATIO	
Reason for Differences					SOURCE	
Information By:					**Business Phone:**	

BALANCE SHEET

Name: Amazing Company

Address:

Date December 31 2001

ASSETS				
CURRENT ASSETS				
Cash on Hand			2,000	00
Bank Balances			70,000	00
Marketable Securities				
Accounts Receivable - Customers				
Accounts - Current	23,000	00		
Accounts - Past Due				
Total	23,000	00		
Less Reserves				
Notes Receivable - Customers				
			23,000	00
INVENTORY				
Raw Material	31,000	00		
Work in Process				
Finished Stock				
Supplies				
			31,000	00
OTHER CURRENT ASSETS				
Total Current Assets			126,000	00
FIXED ASSETS				
Land	75,000	00		
Buildings	222,200	00		
Furniture & Fixtures	99,502	18		
Machinery & Equipment	1,161,431	00		
Total	1,558,133	18		
Less Depreciation	662,296	11	995,837	07
OTHER ASSETS				
Loans and Advances				
Prepaid Expenses	5,000	00		

LIABILITIES AND NET WORTH				
CURRENT LIABILITIES				
Accounts Payable (Net Due)			35,000	00
Accounts Payable (Past Due)				
Notes Payable - Banks				
Notes Payable - Merchandise			75,000	00
Notes Payable - Other				
Reserve - Federal Taxes				
Reserve - Other Taxes				
ACCRUED EXPENSES				
Salaries & Wages	90,000	00		
			90,000	00
Total Current Liablilities			200,000	00
Mortgage Payable			125,000	00
Long Term Notes			40,000	00
TOTAL LIABLILITIES			365,000	00
NET WORTH				
Captial Stock				
Preferred	324,000	00		
Common	225,000	00	549,000	00
Paid in or Capital Surplus				
Retained Earnings			112,237	07
Total			661,837	07
Less Treasury Stock				
Stockholders Equity				

Amazing Company
Furniture & Fixtures

		1		3
	Description	Date Acquire	Life Yrs	Cost
1	IBM TYPEWRITER sold 4/86	Nov-79	10	1,429.48
2	COPIER	Jul-80	10	3,300.00
3	DESK	Mar-81	10	250.00
4	EXEC CHAIR	Mar-81	10	325.00
5	TIME CLOCK	Mar-81	10	150.00
6	EXEC DESK & CHAIR	Aug-82	10	900.00
7	2 FOUR-DR FILES	Nov-82	10	275.00
8	WAITING RM CHAIRS	Nov-82	10	400.00
9	VICTOR CALCULATOR	Nov-82	10	275.00
10	CHAIRS-MEETING RM	Nov-82	10	185.00
11	GE REFRIGERATOR	Feb-83	10	600.00
12	IBM TYPEWRITER	Jul-83	10	1,600.00
13	SHARP COPIER	Jul-83	8	4,500.00
14	SEC DESK & CHAIR	Oct-84	10	300.00
15	STEREO SYSTEM	Oct-84	5	225.00
16	SEC DESK	Apr-86	10	475.00
17	IBM TYPEWRITER	Apr-86	10	2,500.00
18	STENO CHAIR	Apr-86	10	189.00
19	TWO-DR FILE CAB	Apr-86	10	125.00
20	CALCULATOR	Apr-86	10	130.00
21	COMPUTER	Oct-86	10	6,300.00
22	PRINTER	Oct-86	10	2,200.00
23	SOFTWARE	Oct-86	10	5,000.00
24	SOLD TYPEWRITER	Apr-86		(1,429.48)
25	CHECK PROTECTOR	May-89	5	150.00
26	OFFICE EQUIP	Feb-90	5	3,740.00
27	IBM COMPUTER	May-90	5	7,500.00
28	PRINTER	May-90	5	1,700.00
29	XEROX COPIER	Jul-91	5	1,732.68
30	CONFERENCE TABLE	Jun-92	5	187.62
31	OFFICE CURTAINS	Jul-92	5	550.00
32	COMPUTER SOFTWARE	Jul-92	5	4,556.40
33	COMPUTER	Apr-90	5	6,200.00
34	BALANCE 12/31/92			56,520.70
35				
36				

Amazing Company
Furniture & Fixtures

		1		3
	Description	Date Acquire	Life Yrs	Cost
1	BBF			56,520.70
2	HIGH BACK CHAIR	Sep-93	5	223.48
3	5 CHAIR MATS	Sep-93	5	275.00
4	3 FOLDING TABLES	Sep-93	5	159.00
5	3 STORAGE CABINETS	Sep-93	5	400.00
6	WALNUT CREDENZA	Sep-93	5	304.00
7	PHONE SYSTEM	Sep-93	5	3,200.00
8	COMPUTER SYSTEM	Dec-93	5	12,000.00
9	BALANCE 12/31/93			73,082.18

Amazing Company
Furniture & Fixtures

	1		3
Description	Date Acquire	Life Yrs	Cost
BBF			73,082.18
DRAFTING TABLE	Mar-94	5	1,500.00
OFFICE FURN (NEW OFF)	Mar-94	5	6,200.00
PHONE SYST (CONF RM)	May-94	5	3,000.00
TABLES CHAIRS TV (CONF RM)	Jul-94	5	2,800.00
IBM TYPEWRITER	Aug-94	5	1,800.00
CHAIR	Aug-94	5	500.00
COMPUTER SOFTWARE	Nov-94	5	10,000.00
3 HIGH-BACK CHAIRS	Dec-94	5	620.00
BALANCE 12/31/94			99,502.18

Amazing Company
Machinery & Equipment

		1		3
	Description	Date Acquire	Life Yrs	Cost
1	BRIDGEPORT #4656721	May-79	10	65,000.00
2	GRINDER #632140	May-79	10	21,200.00
3	HI-LO	Apr-80	5	3,500.00
4	WELDER W/ FOOT CONTROL	Apr-80	5	1,200.00
5	DRILL PRESS	Oct-80	10	11,000.00
6	SLIP ROLL FORMING MACH	Jan-82	8	10,562.00
7	GMC TRUCK	Mar-82	5	15,000.00
8	PRESS	Oct-82	10	22,000.00
9	EQUIPMENT	Oct-84	10	32,000.00
10	COMPRESSOR	Oct-84	5	3,000.00
11	BRIDGEPORT #493811	Oct-84	10	62,000.00
12	PRESS	Dec-84	10	15,000.00
13	JAPAX MACHINE	Feb-85	10	102,000.00
14	WIRING FOR MACHINE	Feb-85	10	3,300.00
15	PRESS	Oct-85	10	12,000.00
16	MACHINE PRESS	Mar-87	7	15,000.00
17	SHEARING MACHING	Mar-87	7	9,100.00
18	ELECTRIC EYE BURNER	Apr-87	10	12,100.00
19	MACHINE PRESS	Sep-88	7	5,000.00
20	EDM MACHINE	May-89	10	10,000.00
21	PRESS	Sep-90	5	5,000.00
22	PRESS BREAK	Sep-91	10	32,052.00
23	BAND SAW	Dec-91	5	4,270.00
24	HOIST	Dec-91	5	1,227.00
25	HOIST	Apr-92	5	4,270.00
26	MIG BURNER	Dec-92	5	6,200.00
27	MIG BURNER	Jan-93	5	3,450.00
28	MIG BURNER	Sep-92	5	1,000.00
29	PRESS & PIT	Apr-93	5	72,000.00
30	SPECTRUM MOD 600 CO LASER	Aug-93	5	145,000.00
31	BRDGEPRT WIRECUT MOD LUX3	Dec-93	5	75,000.00
32	BALANCE 12/31/93			779,431.00
33				
34				
35				

Amazing Company
Machinery & Equipment

	1		3
Description	Date Acquire	Life Yrs	Cost
BBF			779,431.00
CONTINENTAL CRANE	Jan-94	5	22,000.00
800 TON HAMILTON PRESS	Jan-94	10	100,000.00
PRESS FOUNDATION	Jan-94	5	7,000.00
WIRING & INSTALL PRESS	Jan-94	5	4,200.00
HYDRO PRESS 8000	Feb-94	10	54,000.00
HI-LO #4100	Mar-94	5	3,500.00
FORD STAKE 3 TON FLATBED	Jun-94	5	18,000.00
CRANE DELIV & INSTALL	Jan-94	5	4,300.00
FORD LINCOLN TOWN CAR	Sep-94	5	28,000.00
BRIDGEPORT PRESS	Nov-94	10	85,000.00
IBM COMPUTER W/ PRNTR	Dec-94	5	56,000.00
BALANCE 12/31/94			1,161,431.00

Audit Trail

12/31/97

Total Furniture & Fixtures		**$99,502**
Less: '86 Computer	**6,300**	
'86 Computer	**2,200**	
'86 Exempt Software	**5,000**	
'90 Computer	**7,500**	
'90 Computer	**1,700**	
'92 Exempt Software	**4,556**	
'90 Computer	**6,200**	
'93 Computer	**12,000**	
'94 Exempt Software	**10,000**	**-55,456**
Total F & F		**$44,046**
Total Machinery & Equipment		**$1,161,431**
Plus: '97 Expensed M & E	**10,000**	
Less: '92 Licensed Vehicle	**15,000**	
'94 Licensed Vehicle	**18,000**	
'94 Licensed Vehicle	**28,000**	
'94 Computer Equipment	**56,000**	**-107,000**
Total M & E		**$1,054,431**
Total Computer Equipment		
Plus: Balance from F & F	**35,900**	
Balance from M & E	**56,000**	
Total C/E		**$91,900**
TOTAL PERSONAL PROPERTY REPORTED		**$1,190,377**

FIELD OBSERVER ________________
AUDITOR ________________

DATE OF LETTER:
DATE OF APPOINTMENT
RESCHEDULED INFO:
DATE OF REFERRAL

UNKOWN	
CORPORATION	
PARTNERSHIP	
INDIVIDUAL	

COMMERCIAL	
INDUSTRIAL	

Amazing Company

LOCATION OF RECORDS

ATTENTION:
Company Name
Address
City and Zip Code
Accountant's Telephone
CVT

Type of Business ______________________________ Estab. Code ____________ Date Inc. __________
Other Locations ______________________________ Year Bus. Started _______

YEAR PCH'D	COMPUTER EQUIPMENT		MACHINERY & EQUIPMENT	FURN, FIX & SIGNS		TOTAL	%	VALUE BY ASSESSOR	
1997		80	10,000			10,000	93		9,300
1996		60					79		
1995		50					67		
1994	56,000	40	280,000	16,420		352,420	60	22,400	177,852
1993	12,000	30	295,450	4,561		312,011	54	3,600	162,005
1992		20	11,470	738		12,208	49		5,981
1991		10	37,549	1,733		39,282	46		18,070
1990	15,400	10	5,000	3,740		24,140	44	1,540	3,846
1989		10	10,000	150		10,150	42		4,263
1988		10	5,000			5,000	40		2,000
1987		10	36,200			36,200	38		13,756
1986	8,500	10		3,419		11,919	36	850	1,231
1985		10	117,300			117,300	34		39,882
1984		10	112,000	525		112,525	32		36,008
PRIOR		10	134,462	12,760		147,222	30		44,167
TOTAL	91,900		1,054,431	44,046		1,190,377			546,751
TOOLS, DIES, JIGS			COST		N/B/V		100		

OTHER			
PERSONAL			
PROPERTY			
Form 4562-Sec-179 Expensed Assets			
Construction in Progress			
Other Business at this Location:			

	EQUIPMENT		OTHER	APPR VALUE		
					TRUE CASH VALUE	546,751
FILED					EXEMPTION	
AUDIT					NET TOTAL	546,751
Notes					ASSESSED VALUE	273,376
					RATIO	50.00
Reason for Differences					SOURCE	B/S, F/A/S
Information By:					**Business Phone:**	

RECONCILIATION:

Total Fixed Assets per Balance Sheet		**$1,558,133**
Less: Land	**75,000**	
Building	**222,200**	
Exempt Software	**19,556**	
Licensed Vehicles	**61,000**	
Plus: Expensed M & E	**+10,000**	
TOTAL PERSONAL PROPERTY TO BE REPORTED		**$1,190,377**

PROBLEM #2

A STORY PROBLEM

A friendly neighborhood bar recently sold for $300,000. The bar is older and the personal property is worn and tattered. The purchase price included all of the fixed assets.

A real estate appraisal was obtained and indicated that the value of the building and the land was $100,000 at the time of sale. Licenses and inventory are determined to be valued at $25,000.

The journal entry for the transaction was recorded as follows:

Debits

Land	**$**	**30,000**
Building		**70,000**
Inventory		**5,000**
Furniture		**45,000**
Bar Equipment		**150,000**

Credit

Cash	**$**	**300,000**

1. **Is the transaction based on a valid market sale?**

____

2. **Why would the transaction be recorded in this manner?**

____

3. **Should the recorded assets basis be the "original cost" of the asset for filing a personal property statement?**

____

4. How should the transaction have been recorded?

Debits: ______________________________

____

____

____

____

____

Credit(s) ______________________________

____

____

Section 7. Conclusion

Personal Property assessment and auditing is very complex and challenging. New technology, developments and inventions require continuous study of the value and economic life of the fixed assets. The fundamental skills that are taught and learned over time remain the foundation for the study and analysis that we must do to properly value property. Training, education and experience are the resources that depend on. Other assessing officers are the resource we always need.

Best wishes for your personal and professional success.

Lisa A. Hobart