

PERSONAL PROPERTY DESK AUDITS

“Each office should have in place a quality control mechanism to examine the validity of a rendered value before accepting it.”

Everyone gets

- : Renditions that are not complete
- : Renditions that are not correct
- : Renditions that are out of line with comparable businesses
- : Renditions that say “same as last year”

“The return of the taxpayer shall not be conclusive as to the value or amount of any property. The county assessor shall have the authority and it shall be his duty to raise or lower the returned value.” (68 O.S.§ 2818) (statutes listed on the last page of hand-outs)

Quality Control

EXAMINATION OF PROPERTY

- Reveals acceptability of the assets.

OWNER RESPONSIBILITY

- Requires rendering of all assets.

ASSESSOR RESPONSIBILITY

- Accuracy

INSPECTION

IN-HOUSE REVIEWS

AUDIT PROGRAMS

Methods of Auditing

An audit program should be implemented and designed to ensure the full and equitable listing of all personal property in the county. Ideally, all accounts would be periodically audited. The purpose for an audit is to ensure all property is listed and at a fair value.

- REVIEW AUDIT –check for completeness
- PHONE AUDIT – clarify any data provided
- PHYSICAL INSPECTION AUDIT – visit business location
- DESK AUDIT –comps
- DETAILED AUDIT –IRS papers, income statements, etc

Verification of the Assessment – Auditing

Auditing is a method of verifying the accuracy and validity of the assessment and/or personal property statements. Auditing improves the quality of the assessment roll.

Benefits of Auditing

Provides for a fair distribution of taxes

Encourages compliance

Expands the discovery of property

Fair and Equitable

No one likes taxes, but we expect everyone to pay their fair share. Like real estate, personal property is to conform to the fair cash value estimated at the price it would bring at a voluntary sale. According to statute it can be visually inspected. (68 O.S. § 2818) Some counties already do visual inspection of their business personal. Some do it by the visual inspection area and some by the type of business. There are pros and cons to both ways.

Procedure audits can be conducted to evaluate whether personal property is being correctly appraised. If the jurisdiction is diligent in the discovery and listing of personal property, conducts regular audits and inspections, and follows state guidelines and accepted

procedures in valuation, then it can be assumed that personal property is correctly listed on the rolls. If not, a ratio study can uncover the full extent of the problem.

Sometime in the near future we expect there to be a ratio study on personal property, just like real estate.

The audit process will vary as the personal property auditors gain more experience. The auditors may want to concentrate on one specific class of property before moving on to another class of property.

As your auditors gain more experience, your audit process will change or increase in complexity.

Eventually, you will hope to audit all types of business properties.

The 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.

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

If you are in a situation where you have been working your personal for some time, you may be able to audit some accounts before the county equalization board goes out of session. The time frame for the board is different in each county. This will allow your taxpayers due process as cited in statute 68 O.S. § 2876.

If not, you will be auditing your accounts for the future year, so that you can send any corrections or changes in valuation. These changes would be sent out just like real estate valuation change notices.

There are no "canned" change of valuation notices for personal property. We have included several examples that you may take back to your office and implement. Feel free to change these as needed.

OTC VALUATION GUIDE:								
Fair Quality:	Locally owned and most drive-ins							
Average Quality:	Better quality local and most franchised, inside seating							
Inventory Density	Quality Fair	Quality Average	Quality Good		Fixed Assets	Quality Fair	Quality Average	Quality Good
Average	1.95	3.10	7.45		Average	15.25	47.20	85.95
CITY	COUNTY	SQ FT	AVG INV	INV PER SQ FT	FF&E	FF&E PER SQ FT	ORIGINAL YEAR	RENDITION SIGNED BY
BRISTOW	Creek	3152	1980	0.63	25410	\$ 8.06	1979&1995	DOYLE HOOVER
SAPULPA	Creek	2564	1744	0.68	48298	\$ 18.84	1972	DOYLE HOOVER
JENKS	Tulsa	2432	968	0.40	87583	\$ 36.01	1987	DOYLE HOOVER
BROKEN ARROW	Tulsa	2871	1813	0.63	261989	\$ 91.25	2004	JEANIE FRANKLIN
OWASSO	Tulsa	3133	1838	0.59	256006	\$ 81.71	2005	JEANIE FRANKLIN
TULSA - 6155 S GARNET	Tulsa	2760	1931	0.70	301149	\$ 109.11	2003	JEANIE FRANKLIN
McALESTER	Pittsburg	3875	1700	0.44	83175	\$ 21.46	1999	JEANIE FRANKLIN
OKMULGEE	Okmulgee	2720	1900	0.70	125962	\$ 46.31	2003	JEANIE FRANKLIN
HENRYETTA	Okmulgee	3968	2014	0.51	96146	\$ 24.23	2000	JEANIE FRANKLIN
CLAREMORE	Rogers	2920	1218	0.42	136790	\$ 46.85		SW PROP TAX, TX
BIXBY - 1464	Tulsa		250		37155		2004	
BIXBY - 2095	Tulsa	2277	6501	2.86	155498	\$ 68.29	2003	
SAND SPRINGS	Tulsa	3498	8682	2.48	117778	\$ 33.67	2003	
TULSA - 4997 S UNION		2139	8654	4.05	100389	\$ 46.93	2003	
TULSA - 7180 S MEMORIAL		2894	11878	4.10	170467	\$ 58.90	2005	
TULSA - 11104 E 21ST		2724	11587	4.25	107088	\$ 39.31	2003	
TULSA - 4235 S PEORIA		2568	12374	4.82	83240	\$ 32.41	2003	
TULSA - 7304 E ADMIRAL		1614	9957	6.17	93644	\$ 58.02	2004	
OTHER COMPARISONS -- CREEK COUNTY								
CHURCH'S CK	SAPULPA	2193	2876	1.31	251155	\$ 114.53	2009	
TACO BELL	SAPULPA	2866	6080	2.12	182256	\$ 63.59	1995	
TACO BUENO	SAPULPA	2366	5114	2.16	113508	\$ 47.97	2001	
SONIC	SAPULPA	1176	9024	7.67	177208	\$ 150.69	2001	
SONIC	DRUMRIGHT	1100	5505	5.00	240872	\$ 218.97	2001	
MCDONALDS	SAPULPA	4267	10355	2.43	304599	\$ 71.38	1999	
MCDONALDS	BRISTOW	4545	6749	1.48	167322	\$ 36.81	1988	
KEN'S PIZZA	SAPULPA	3070	7000	2.28	147350	\$ 48.00	1982	
MAZZIO'S	SAPULPA	3112	10258	3.30	50000	\$ 16.07	2008	

Audit calculations using OTC Business Personal Property Guide

For example:

A 4000 square foot Dollar General Type store built in 2006 has been determined to have average quality/average density inventory. It also has average quality/density fixed assets.

The calculation of inventory value is as follows:

$$4000 \text{ sf} \times 10.85/\text{sf} = 43,400 \text{ (inventory value)}$$

The calculation of fixed asset value is a follows:

$$4000 \text{ sf} \times 2.70/\text{sf} = 10,800 \times 72\% \text{ good (depreciation)} \times 1.1284 \text{ (appreciation/trending factor)} = 8775$$

3 years depreciation and 3 years of appreciation

Another example:

A 4000 square foot "Everything a Dollar" type store built in 2006 has been determined to have average quality/average density inventory. It also has average quality/density fixed assets.

The calculation of inventory value is as follows:

$$4000 \text{ sf} \times 6.25/\text{sf} = 25,000 \text{ (inventory value)}$$

The calculation of fixed asset value is a follows:

$$4000 \text{ sf} \times 1.70/\text{sf} = 6800 \times 72\% \text{ good (depreciation)} \times 1.1284 \text{ (appreciation/trending factor)} = 5525$$

3 years depreciation and 3 years of appreciation

New Business Letter

Business Name

Location

Date

Dear Taxpayer:

The Oklahoma Tax Commission has notified the XXXX County Assessor's Office that you may have started a new business in XXXX County. (68 OS§ 2839)

If for any reason this business did not exist as of January 1, or is assessed under another name or place on the tax roll in error, please make the corrections and return this form as soon as possible. We will need a contact name and telephone number so we may contact you if necessary.

Business Name/ Entity Name

As it will appear on the tax rolls:

Account Number: 4564556

Business Name

Location

Please make corrections here:

Signature

Phone Number

Date

If the business was sold, please furnish us with the buyer's name, address, and telephone number.

If this information is correct, you do not need to respond.

Please call the XXXX County Assessor's Office at **999-999-9999** if you have any questions.

Respectfully,

Joe Smith, Deputy
XXXX County Assessor

First Request

Name
Address

Date

Personal Property Account: 7778754

Dear Taxpayer:

Business Personal Property assets are to be rendered to this office each year by March 15th as required by **State Statute Title 68**. In reviewing our files, we find that the information on your business has either not been received or is inadequate.

We are making a **Formal Written Request** for further information on the Business Personal Property account shown above.

The items checked below indicate the information that is being requested:

- Leasehold improvements -Detail by cost and acquisition year, **not** book value.
- Furniture and Fixtures - Detail by cost and acquisition year, **not** book value.
- Electronic Equipment - Detail by cost and acquisition year, **not** book value.
- Computer Equipment - Detail by cost and acquisition year, **not** book value.
- Machinery and Equipment - Detail by cost and acquisition year, **not** book value.
- Leased Assets – Should be itemized indicating what the asset is, name and address of lessor or lessee, the length of the lease and the cost of the asset or monthly payment.
- Inventory – Raw materials, work-in-process, and finished goods.
- Completed Business Personal Property Rendition (901) and Asset List
- Other

If you have any questions or need assistance, please contact Joe at 888-999-7777.

Respectfully,

Joe Smith, Deputy
XXXX County Assessor

Zero Balance (can also be used for Same as Last Year)

Date

Personal Property Account: 8974641

Dear Taxpayer:

We received your Business Personal Property Rendition Form 901 for the 2009 tax year. The information on the form is not adequate for it to be processed.

We are unable to accept an account with a zero balance unless specific information is received that substantiates this balance. The substantiating documents should include a complete asset listing and should indicate if the assets have been moved, sold, or are now filed under a different account.

Please submit the necessary documentation (including the asset listing) to our office no later than March 15, 2009. If you are unable to provide the required information by this date, we will need to schedule an audit appointment.

If an audit appointment is not possible, our office will establish values for this account based on the values of comparable businesses.

If you have any questions or need assistance, please contact Joe Smith at 984-874-7456.

Respectfully,

Joe Smith, Deputy
XXXX County Assessor

Final Request Letter

Business Name
Address

Date

Personal Property Account Number: 989878

Dear Taxpayer:

According to our records, our previous request concerning a business you may or may not own, has gone unanswered.

Please consider this a **Final Request**.

If we do not hear from you within ten (10) business days, arbitrary values will be placed on the Business Personal Property account shown above. (68 OS § 2843)

If you are currently filing under another business name, please notify this office. Each business location must be filed separately.

A blank rendition form has been enclosed for your convenience. Please complete, sign and return the form within the time specified above.

If you need assistance in completing the form, please call 999-999-9999.

Respectfully,

Joe Smith, Deputy
XXXX County Assessor

Change in Value Letter

Name
Address

Date

RE: Business Personal Property Account Number: 8888888

Dear Taxpayer:

We have determined that the total fair market value of the above Personal Property should be changed from _____ to _____. We will make such changes in our records after presentation to the Equalization Board.

If you approve of the adjustment, no further action need be taken. However, if you disagree with this value, you have **ten working days** from the date of this notice to file a formal protest with the XXXX County Equalization Board as follows:

XXXX County Equalization Board
C/O XXXX County Clerk
9999 South 9th
XXXX, Oklahoma 99999

Board goes out of session (enter date)

If our office can be of any further assistance, please call Joe at 999-999-9999.

Respectfully,

Joe Smith, Deputy
XXXX County Assessor

Informal Protest

Name
Address

Date

RE: Protest Number Account Number: 123456789

Thank you for bringing your information to our attention. After reviewing evidence you have submitted and further analysis of other pertinent information, we feel that our data indicates that the fair market value of the protested Personal Property incorrect and therefore should remain on the tax rolls at the current value.

If you disagree with our decision or have additional evidence to the contrary, you have ten working days from the date of this notice to file a formal protest with the XXXX County Equalization Board as follows:

XXXX County Equalization Board
C/O XXXX County Clerk
9999 South 9th
XXXX, Oklahoma 99999

Board goes out of session (enter date)

If our office can be of any further assistance to you, please call Joe at 999-999-9999.

Respectfully,

Joe Smith, Deputy
XXXX County Assessor

REFERENCES:

68 O.S. § 2876 increase in valuation-notice

68 O.S. § 2818 taxpayers return not conclusive of value

68 O.S. § 2839 statements of necessary information- neglect, failure or refusal to furnish information

68 O.S. § 2843 unlisted personal property-discovery and assessment

68 O.S. § 2846 undervalued and under assessed property

Property Appraisal and Assessment Administration -IAAO

FOR RADIANT SYSTEM USERS ONLY

The PAUDIT program is used to find original cost. The audit screen gives you an original (new) cost because you have nothing else to go from. This gives you a starting value to use on the detail screen. No matter what the age put current year in PAUDIT screen (fixed assets)

When using the audit screen and then putting the value in the detail screen the actual year built and the year rendered should be used for proper calculation of depreciation and appreciation.

The tax commission has recently come out with a recommendation that those match.

Property Class	FF	Furn Fix Equip.	
Property Class	FF	Furn Fix Equip.	000000001.00
Property Type	FFE8	Furn. & Fixture	
Quantity	0000000001		
Item Descrip.		From Paudit	
Cost \$.00	0001000000		
Year Made	2006		
Render/Acquired	2006		
Deprec Table	09	09-Yr Age/Depr.	000000000.7200
Observed Cond	0000000000		
Apprec Table	48	Class 48 Apprec	000000001.1284
Note 1			
Note 2			

Orig Cost	Appr Value	Value
10800	8775	8775

Property Class	SFFXP	SQ FT Fix Asset	
Property Class	SFFXP	SQ FT Fix Asset	000000100.00
Property Type	VARSTFA	Variety St FA	000000002.70
Qual/Density	AA	AVERAGE/AVERAGE	
Year Acquired	2009		
Deprec Table	09	09-Yr Age/Depr.	000000001.0000
Total # Units	0000004000		

	Orig Cost	Appr Value	Value
	0	10800	

Square Foot Fixed Asset Help Table

CODE	DESCRIPTION
APPDFA	Appl Dlr FA
APTFA	Apartment FA
AUTOFA	Auto Agency FA
AUTOPTFA	Auto Par FA
AUTORPFA	Auto Repair FA
BARFA	Bar & NightC FA
BBRFA	Barber/BeautyFA
BOOKFA	Book/Rec SaleFA
BOWLFA	Bowling AlleyFA
CFTRFA	Cafeteria FA
CLTFAMFA	Cloth Fam FA
CLTKIDFA	Cloth Kids FA
CL MBFA	Cloth Men/BoyFA
CL WMFA	Cloth WomenFA
CMOFFFA	Comm Office FA
CONVFA	Convenience FA
CRAFTFA	Craft Supply FA
DAYCARFA	Daycare Cen FA
DDRYFA	Dry Clns Landry
DEPTFA	Deptment St FA
DRUGFA	Drug St FA
DSCNTFA	Discount St.FA
ECFA	Elec/Computr FA
FABRICFA	Fabric/Drap. FA
FARMIPFA	Farm Impl. FA
FARMSPFA	Farm Supply FA
FFFA	Fast Food ResFA
FIFA	Financial Inst.
FLOORFA	Floor Cvring FA
FLRGFTFA	Florist Shop FA
FUNERLFA	Funeral Home FA
FURNFA	Furniture St FA
HOBBYFA	Hobby,Toy, FA
HOSPFA	Hospital FA
HRDWREFA	Hardware FA
JEWELFA	Jewelry St FA
LANDROFA	Laundromat FA
LIQFA	Liquor St FA
MEDOFFFA	Med Office FA
MOTELFA	Motel/Hotel FA
MOTOCYFA	Motorcycle FA
NEWSFA	Newspaper FA
NRSHMFA	Nursing Home FA
OFFSPLFA	Office SupplyFA
PIZZAFA	Pizza Parlor FA
RECHALFA	Rec Hall FA
RESTFA	Restauant FA
SHOESTFA	Shoe St FA
SMFA	Supermarket FA
SPORTFA	Sporting GoodFA
SRVSTFA	Service Sta. FA
TIREFA	Tire St FA
TOYFA	Toy & Games FA
VARSTFA	Variety St FA
VIDEOFA	Video St FA

Square Foot Inventory Help Table

XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX
 CODE DESCRIPTION

APPDIN	Appl Dlr IN
AUTOIN	Auto Agency IN
AUTOPTIN	Auto Parts IN
AUTORPIN	Auto Repair IN
BARIN	Bar & NightC IN
BBRIN	Barber/BeautyIN
BOOKIN	Book/Rec SaleIN
BOWLIN	Bowling AlleyIN
CFTRAIN	Cafeteria IN
CLTFAMIN	Cloth Fam IN
CLTKIDIN	Cloth Kids IN
CLTSMBIN	Cloth Men/BoyIN
CLTSWMIN	Cloth WomenIN
CONVIN	Convenience IN
CRAFTIN	Craft Supply IN
DAYCARIN	Daycare Cen IN
DEPTIN	Deptment St IN
DRUGIN	Drug St IN
DSCNTIN	Discount St.IN
ECIN	Elec/Computr IN
FABRICIN	Fabric/Drapp. IN
FARMIPIN	Farm Impl. INV
FARMSPIN	Farm Supply INV
FFIN	Fast Food ResIN
FLOORIN	Floor Cvrng IN
FLRGFTIN	Florist Shop IN
FUNERLIN	Funeral Home IN
FURNIN	Furniture St IN
HOBBYIN	Hobby,Toy IN
HRDWREIN	Hardware IN
JEWELIN	Jewelry St IN
LIQIN	Liquor Str. INV
MOTOCYIN	Motorcycle INV
NEWSIN	Newspaper IN
NRSHMIN	Nursing Home IN
OFFSPLIN	Office SupplyIN
PIZZAIN	Pizza Parlor IN
RESTIN	Restauant IN
SHOESTIN	Shoe St IN
SMIN	Supermarket IN
SPORTIN	Sporting GoodIN
SRVSTAIN	Service Sta. IN
TIREIN	Tire St IN
TOYIN	TOY & GAMES ST IN
VARSTIN	Variety St INV