

HCS HB 461 -- ASSESSMENT OF BUSINESS PERSONAL PROPERTY
(Sutherland)

COMMITTEE OF ORIGIN: Ways and Means

This substitute adds studio broadcast equipment, transmitter and antenna equipment, and broadcast towers to the property tax depreciation schedules for broadcasting equipment. Depreciation tables are established to determine the true value in money of television broadcasting equipment beginning January 1, 2008, and radio broadcasting equipment beginning January 1, 2006.

For tax rate setting purposes, the substitute requires each taxing authority to exclude from its total assessed valuation 72% of the total amount of business personal property that is the subject of an appeal at the State Tax Commission or in a court. This exclusion will only apply to the portion of property that is disputed in the appeal. If the taxing authority uses a multi-rate approach, this exclusion is made from the personal property class.

The commission will provide the total assessed value for which an appeal is pending no later than August 20 of each year. Whenever an appeal is resolved and the result causes money to be paid to the authority, the taxing authority is not required to make an additional adjustment to its rates during the same fiscal cycle once the deadline for setting rates has passed. However, the taxing authority will adjust its rates due to the payment in the next rate setting cycle to offset the payment in the next taxable year.

"Business personal property" is defined as tangible personal property used in a trade or business or used to produce income and has a determinable life of longer than one year, with some exceptions. In order to establish uniformity, each assessor will use the standardized schedule of depreciation established in the substitute to determine the assessed valuation of depreciable tangible personal property. Each assessor will value depreciable tangible personal property by applying the class life and recovery period to the original cost of the property according to the federal Modified Accelerated Cost Recovery System life tables. The estimated value of property determined using the life tables is presumed to be correct; however, an estimation may be disproved by substantial and persuasive evidence of the true value under any method approved by the commission. These methods include appraisal using accepted techniques in accordance with the Uniform Standards of Professional Appraisal Practice or by proof of functional or economic obsolescence or physical deterioration. The salvage or scrap value of depreciable tangible personal property may only be considered if the property

is not in use on the assessment date.

The substitute does not apply to business personal property placed in service before January 2, 2006.

FISCAL NOTE: No impact on state funds in FY 2006, FY 2007, and FY 2008.