



Personal Property

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Today's Class Will Cover:

- Revised Personal Property Rule
- Personal Property Basics
- Abnormal Obsolescence
- Confidential Information
- Questions & Answers



Revised Personal Property Rule

- The revised personal property rule was effective **March 1, 2011**.
- It replaces the old rule which had been used since 1989.
- It is referenced as 50 IAC 4.2
- Link to the revised rule:
<http://www.in.gov/legislative/iac/T00500/A00042.PDF>



Revised Personal Property Rule

- Several sections have been repealed / updated in the revised rule
- The revised rule has been condensed from 101 to 48 pages
- On the next several slides we will be providing an overview of the revised rule



Revised Personal Property Rule

Rule 1 – Administration; Procedures

- Provides primary definitions
- Discusses amendments to the rules, instructional bulletins
- Non-automotive equipment attached to excise tax vehicles will now be assessable as personal property. Following is a link to that memo:
[http://www.in.gov/dlgf/files/110303 -
Wood Memo -
Assessment of Non Automotive Equipment.pdf](http://www.in.gov/dlgf/files/110303_Wood_Memo_Assessment_of_Non_Automotive_Equipment.pdf)



Revised Personal Property Rule

Rule 2 – Filing Requirements

- Place of filing, who must file
- Provides return filing information
- Extension of time to file return
- Amending returns
- Listing of authorized forms
- Penalties



Revised Personal Property Rule

- **Rule 3 / 3.1 – Review Process & Appeal Procedures**
 - Rule 3 repealed, replaced with Rule 3.1
 - Discusses the assessor review process after return has been filed
 - Review process by PTABOA
 - Appeal of assessments



Revised Personal Property Rule

- **Rule 4 – Valuation of Depreciable Tangible Personal Property**
 - Rule focuses on definition of depreciable personal property
 - Valuation of fully depreciated, nominal value property, computer equipment
 - Pooling assets, calculating true tax value
 - Determination of property as real or personal using real / personal property guide



Revised Personal Property Rule

- **Rule 5 – Valuation of Inventory**
 - Inventory defined
 - Inventory not subject to assessment
- **Rule 6 – Valuation of Other Tangible Personal Property**
 - Discusses valuation procedures for equipment not placed in service, special tooling & critical spare parts



Revised Personal Property Rule

- **Rule 7 – Other**
 - List of readily ascertainable values
 - Uniform useful lives of assets
 - Rule is not regularly used
- **Rule 8 – Valuation Leased Personal Property**
 - Leased personal property defined
 - Capital / Operating leases
 - Liability for tax, reporting requirements



Revised Personal Property Rule

- **Rule 9 – Obsolescence**
 - Obsolescence defined
 - Rule discusses normal and abnormal obsolescence
 - [http://www.in.gov/dlgf/files/090821 - Wood Memo -
_Abnormal Obsolescence and Personal Property Ass
essments.pdf](http://www.in.gov/dlgf/files/090821_-_Wood_Memo_-_Abnormal_Obsolescence_and_Personal_Property_Assessments.pdf)
- **Rule 10 – Interstate Carriers**
 - Rule discusses valuation of commercial airlines and bus lines



Revised Personal Property Rule

- **Rule 11 / 11.1– Deductions & Exemptions for Tangible Personal Property**
 - Rule 11 repealed, replaced with Rule 11.1
 - Air pollution control systems
 - Industrial waste control systems
 - Personal property in economic revitalization area
 - Enterprise zone investment deduction



Revised Personal Property Rule

- **Rule 12 – Deductions, Exemptions & Credits for Inventory**
 - Rule repealed
- **Rule 13 – Tax Abatement Provisions, ERA's, etc.**
 - Rule repealed
 - Now discussed in Rule 11.1



Revised Personal Property Rule

- **Rule 14 – Principle business activity codes**
 - Reference now to the six (6) digit NAICS codes (North American Industry Classification System)
 - County required to use the updated 2007 NAICS code list for March 1, 2011. The 4 digit code used to be used but it is now required to use the 6 digit code. See Memorandum link on this
 - [http://www.in.gov/dlgf/files/101026 -
Schaafsma Memo -
Personal Property File and Data Compliance -
NAICS code list.pdf](http://www.in.gov/dlgf/files/101026_-_Schaafsma_Memo_-_Personal_Property_File_and_Data_Compliance_-_NAICS_code_list.pdf)



Revised Personal Property Rule

Concerning the Federal Tax ID# on the personal property returns: per an email to the county assessors bounce list, you are to leave that box blank if no Federal ID# is given. It has recently come to the attention of the Department of Local Government Finance (“Department”) that some county data submissions to the Department improperly contain taxpayer Social Security Numbers. More specifically, county submissions of PERSPROP and POOLDATA files were found to contain Social Security Numbers. 50 IAC 26 specifies that, “Social Security numbers or Federal ID numbers may not be used as a Property Number.” If Social Security Numbers are being used as Property Numbers, the county must replace the fields with appropriate parcel numbers as prescribed by 50 IAC 26-8-2 and in accordance with 50 IAC 26-20-5. The PERSPROP, POOLDATA, and TAXDATA files must all use the same property number.

The Department understands that certain personal property filers do not have a federal tax ID number. However, Social Security Numbers should never be included in personal property data submissions to the State. If a filer does not have a federal tax ID number, vendors and counties should ensure that in submissions of the PERSPROP file the “Federal Tax Number” field is left blank.



Revised Personal Property Rule

- **Rule 15 – Prescribed Methods of Valuation Specific Types of Property**
 - Several sections of old rule repealed
 - Assessment of refined petroleum products memorandum reference
 - Present value memorandum reference
 - Outdoor advertising sign schedule repealed



Personal Property General Concepts and Basics



General Concepts

- Self Assessment System
- Personal Property Defined
- Real versus Personal Property
- Commonly Used Forms
- Amended Returns



Self Assessment System

- Taxpayer is responsible for reporting assessment.
- Assessors do not have the authority to file a return for the taxpayer; however, the assessor can assist the taxpayer.
- The taxpayer MUST sign the return.
50 IAC 4.2-2-9 (e)



Personal Property Defined

50 IAC 4.2-1-1.1(g)

- (g) “Depreciable personal property” means all tangible personal property that is used in a trade or business, used for the production of income, or held as an investment that should be or is subject to depreciation for federal income tax purposes.



Personal Property Defined

- In general, personal property will be deemed to become depreciable property when a depreciation deduction is allowable for federal income tax purposes.
- Inventory is no longer assessable.



Federal Guidelines on the Depreciation of Assets

- “Depreciation may not be claimed until the property is placed in service for either production income or use in a trade or business. Depreciation of an asset ends when the asset is retired from service by sale, exchange, abandonment or destruction.”
- US Master Depreciation Guide, Chapter 3



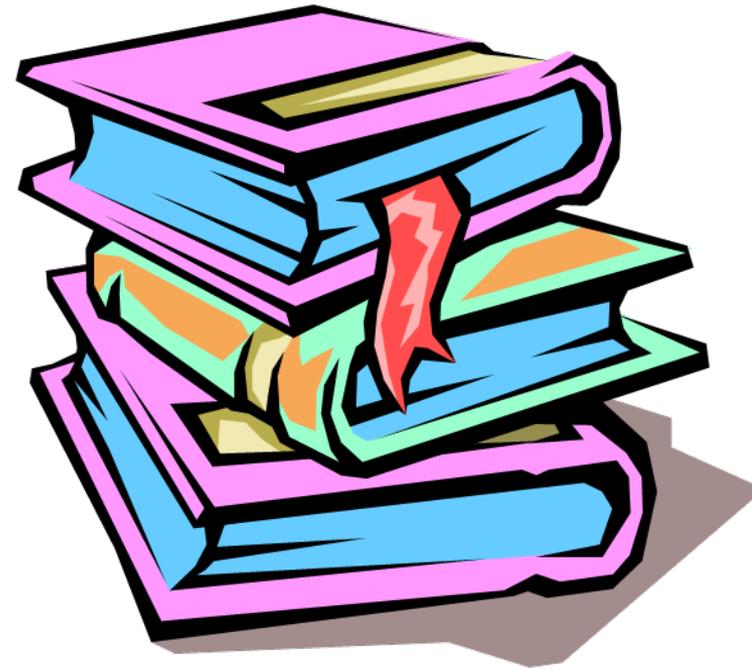
Real vs. Personal Property

- The determination of whether an asset is to be assessed as real or personal property, or as an intangible asset or is subject to excise tax is an important aspect of verifying the correctness of a return.



Real vs. Personal Property

- “Personal Property Rule”,
Rule 4 – Section 10
– (50 IAC 4.2-4-10)
- “2012 Real Property
Guidelines”
– Chapter 1, Table 1-1





Real vs. Personal Property Examples

- Boilers:
 - Manufacturing process – Personal
 - Building service – Real
- Foundations for machinery & equipment – Personal
- Gas lines for equipment or processing – Personal



Real versus Personal Property Examples (cont'd)

- Lighting:
 - Yard – Personal
 - Special purpose, inside – Personal
- Piping used in a process – Personal
- Pits for equipment or processing
 - Personal
- Power lines and auxiliary equipment
 - Personal



Filing Requirements

- Anyone who owns, holds, controls or possesses personal property with a tax situs within the state must file a return.
- Tax Situs – the actual or assumed location of a property for assessment and taxation purposes*

*Property Assessment Valuation, 2nd edition, IAAO



Common Personal Property Forms

- Form 102
- Form 103 Long, Short, & Single Return
- Form 104
- Supplemental Forms
- Personal property forms are available on the DLGF Web page. The new forms will be available on this site when they become final. Until that time the current forms will appear here.
- <http://www.in.gov/dlgf/4971.htm>



Form 102

- Form 102 – Farmer’s Tangible Personal Property Tax Return
- Used by farmers to report their tangible depreciable personal property.
- This form is **CONFIDENTIAL**



Form 103

- Three versions:
 - Form 103-Short
 - Form 103-Long
 - Form 103-SR (Single Return)
- All three versions are **Confidential**



Form 103-Short

- Can be used by a taxpayer to report their tangible business personal property if:
 - ✓ the taxpayer is not a manufacturer or processor
 - ✓ the assessment does not exceed \$150,000
 - ✓ the taxpayer is not claiming any exemptions, deductions, or special adjustments.
- The use of this form is an election and not mandatory for all small businesses.
- Taxpayers can file the Form 103-Long one year and file the Form 103-Short the following year if they are eligible.



Form 103-Long

- Filed:
 - ✓ by any business (large or small) including manufacturers or processors
 - ✓ by taxpayers who are claiming exemptions, deductions, or special adjustments
- Taxpayer must file in duplicate when assessed value is greater than \$150,000. Both copies are held at the county level, if need be. IC 6-1.1-3-7 (c)



Form 103-SR (Single Return)

- Filed:
 - ✓ by any taxpayer with more than one location within a county and less than \$1,500,000 in assessed valuation.
 - ✓ by taxpayers who are not claiming exemptions, deductions, or special adjustments.
- Assessor can refuse to accept if incomplete.
IC 6-1.1-3-7 (f)



Supplemental Forms

- Examples:
 - Form 103-N (not owned/leased)
 - Form 103-O (owned/leased)
 - Form 103-T (special tooling)
 - Form 103-P (pollution control)
 - Form 106 (schedule of adjustments)



Form 103-N & Form 103-O

- IC 6-1.1-2-4
- The owner of any tangible property on assessment date is liable for taxes.
- A person owning , holding , possessing, or controlling any tangible property is liable for taxes unless they establish the property is being assessed in the name of owner.



Operating Leases

- Operating leases remain the property of the leasing company at end of the lease.
- ✓ Lessee (Possessor) Must File
Form 103-N Schedule 1
- ✓ Lessor (Owner) Must File
Form 103-O Schedule 1



Capital Leases

- Title to asset will transfer at end of lease or the lease contains a purchase option and title can transfer at end of lease.
- ✓ Lessee (Possessor) Must File
Form 103-N Schedule 2
- ✓ Lessor (Owner) Must File
Form 103-O Schedule 2



Filing Extension

IC 6-1.1-3-7 (b)

- The township assessor or the county assessor may grant up to a 30 day extension to file a return (up to June 14)
- The taxpayer must provide a **written request** for extension on or before **May 15** to the assessor.



Filing Extension

- The assessor must provide a **written response** granting or denying the taxpayer's request.
- If denying the request, do not delay in notifying the taxpayer.
- The decision to deny this request cannot be appealed.



Omitted & Undervalued Assessments

- The assessor shall examine and verify the accuracy of each personal property return to ensure that no property has been omitted or undervalued.

IC 6-1.1-3-14



Omitted & Undervalued Assessments

- The assessing official **SHALL** give the taxpayer written notice of the change and a statement of the taxpayer's right to appeal by use of the Form 113/PP.
IC 6-1.1-3-20



Amended Returns

- IC 6-1.1-3-7.5
- The return is filed by the taxpayer.
- The taxpayer files an amended return by writing AMENDED on top of the return.
- November 15, if no extension is granted.
- December 14 or 6 months from original return due date, if extension granted.



Amended Return Deadlines

IC 6-1.1-3-7.5 Amended returns; tax adjustments; credits

Sec. 7.5. (a) A taxpayer may file an amended personal property tax return, in conformity with the rules adopted by the department of local government finance, not more than six (6) months, if the filing date for the original personal property tax return is before May 15, 2011, or twelve (12) months, if the filing date for the original personal property tax return is after May 14, 2011, after the later of the following:

(1) The filing date for the original personal property tax return, if the taxpayer is not granted an extension in which to file under section 7 of this chapter.

(2) The extension date for the original personal property tax return, if the taxpayer is granted an extension under section 7 of this chapter.



Amended Returns

- Taxpayer may claim any deduction or exemption that could have been claimed on the original return.
- Taxpayer may only amend the original return one time. The statutes do not allow a taxpayer to amend an amended return.
- **Amended return can only be filed when the original return was timely filed (May 15th or up to June 14th with an approved extension)**



Amended Returns

- A timely filed, amended return becomes the taxpayer's assessment of record. The County Assessor has five months from date that the amended return was filed to change the amended assessment and notify the taxpayer on a Form 113/PP.



Amended Returns

- If a taxpayer files an amended return that is after the statutory deadlines have passed, assessors are strongly encouraged to notify the taxpayer on a Form 113/PP of the defect which the taxpayer could challenge if so desired. Is it required? The issue has not been challenged by an appeal yet.



Assessment Calendar

- IC 6-1.1-9-3 also allows an assessor to make a change to an assessment within three years after the return is filed; however, it requires a full & complete audit of the taxpayer's books in order to determine if substantial compliance guidelines are met so the requirements to change an assessment are more exact.



Penalties

- Return Not Filed by May 15
(up to June 14 with extension)
 - Penalty = \$ 25
- Return over 30 days late
 - Penalty = \$25 + 20% of taxes due
- Assessors do not have the statutory authority to waive penalties for the late filing of tax returns.



Penalties

- Assessors should be prepared to defend a challenge by the taxpayer that the return was filed timely once the tax statements are mailed.
- Sometimes the date that the taxpayer signed the return indicates a late filing.
- Other times the postmarked envelope should be attached to the form as evidence.
- Many assessors also place the date received on the return.



Penalties

- If May 15 falls on a Saturday, Sunday or Holiday, taxpayers will be allowed to file their personal property returns on the next succeeding business day.
- If the envelope is postmarked on the next succeeding business day, it should be treated as a timely filed return (no matter how long it takes the Post Office to deliver it).



Reviewing Returns

- Many assessors have a standard procedure for conducting desk reviews of personal property tax returns.
- They check for errors in calculations.
- They compare the current year's return to the prior year's return.
- They compare the return with returns filed by similar businesses.



Reviewing Returns

- The assessor reviews any exemptions, adjustments, or deductions claimed to verify that they comply with the rules & regulations.
- A claim for abnormal obsolescence should be checked to see if it complies with 50 IAC 4.2-9. The DLGF also released a memo on this topic on August 21, 2009.
- Here is a link to that memo:
[http://www.in.gov/dlgf/files/090821 -
Wood Memo -
Abnormal Obsolescence and Personal Property As
sessments.pdf](http://www.in.gov/dlgf/files/090821_Wood_Memo_Abnormal_Obsolescence_and_Personal_Property_Assessments.pdf)



Reviewing Returns

- On abnormal obsolescence claims you might also want to research the IBTR website for recent decisions on this topic.

<http://www.in.gov/ibtr/2332.htm>

- If you still have questions, consult with your Assessment Div. Field Representative.



Pooling of Assets – FAQ

- Taxpayers are not required to explain the changes made on the pooling schedule from the prior year to the current year on Form 106.
- It is not required in the statutes or in our rules and assessors do not have the authority to create this policy in their jurisdictions.
- The assessor may request information from a taxpayer during the review of the current year's return on a case-by-case basis.



Review of Return

- Some of the records you would request are as follows:
- The latest Federal Tax Return
- A detailed Depreciation Schedule
- A Balance Sheet
- General Ledger
- If you make any changes, as a result of this review, you must notify the taxpayer via a Form 113/PP.



Confidential information

- IC 6-1.1-35-9 affects:
 - All assessing officials, employees, and anyone under contract to any assessing official
 - All information that is related to earnings, income, profits, losses, or expenditures
- Confidential information; disclosure will result in loss of job.
- What's public information? The information on Form 104, which is a summary form and basically only shows the Assessed Value.



Supplements to Personal Property Form

- Any supplemental information or forms attached to a personal property return (Form 102 or 103) that support the return are subject to the same confidential standard as the form itself.



DLGF Website

- www.in.gov/dlgf
- Provides instant access to:
 - DLGF Publications / Memorandums
 - Indiana Codes / Indiana Administrative Codes
 - Tax Rates
 - Forms
 - Contact Information for Local Officials
 - And MORE!



Continuing Education

- The Indiana Property Assessment Continuing Education program. They offer courses throughout the year on various topics with personal property being one of them.
- For more information on available courses and to register for them, go to <http://www.ind-pace.com>



Questions & Answers



Contact Us

- Joe Lukomski
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 - E-mail: jlukomski@dlgf.in.gov

Website: www.in.gov/dlgf

- “Contact Us”
<http://www.in.gov/dlgf/2338.htm>

50 IAC 4.2 Assessment of Tangible Personal Property

New Personal Property Tax Regulation for March 1, 2011

Replaces regulation that was used since 1989

Link to new rule at: <http://www.in.gov/legislative/iac/T00500/A00042.PDF>

Several sections were repealed / updated

New regulation condensed from 101 pages to 48 pages

50 IAC 4.2 Rules:

Rule 1 – Administration; Procedures

Rule 2 – Filing requirements

Rule 3 – Review and Appeal Procedures

Rule 4 – Valuation of Depreciable Tangible Personal Property

Rule 5 – Valuation of Inventory (Inventory not taxable)

Rule 6 – Valuation of Other Tangible Personal Property

Rule 7 – Other

Rule 8 – Valuation of Leased Personal Property

Rule 9 – Obsolescence

Rule 10 – Interstate Carriers (Commercial airlines and bus lines)

Rule 11 – Deductions and Exemptions for Business Personal Property

Rule 12 – Deductions, Exemptions, and Credits for Inventory (Repealed)

Rule 13 – Tax Abatement Provisions; New Manufacturing Equipment in Approved Economic Revitalization Areas or Maritime Opportunity District (Repealed)

Rule 14 – Principal Business Activity Codes

Rule 15 – Prescribed Methods of Valuation; Specific Types of Property

50 IAC 4.2 Summary of Changes:

Rule 1 – Non-automotive equipment attached to excise tax vehicles now assessable as personal property

Rule 1- Definition of “Nonsubstantial compliance” means a tax return that:

- (1) Omits five percent (5%) or more of the cost per books of the tangible personal property at the location in the taxing district for which the return is filed;
- (2) Omits leased property and other nonowned personal property assessable under 50 IAC 4.2-2-4(b) where such omitted property exceeds five percent (5%) of the total assessed value of all reported personal property; or
- (3) Is filed with the intent to evade personal property taxes or assessment.

Rule 3 / Rule 3.1 –3 Repealed and Replaced with 3.1

Rule 4 – Clarification that the following are personal property: Grain Storage Tents, Greenhouses – Building with Plastic Cover in place on assessment date, Security Alarm System, and Towers – Cellular

Rule 5 –Clarifies Inventory not subject to assessment

Rule 6 – Defines “critical spare parts” to be assessed at ten percent (10%) of cost

Rule 10 – Repealed Interstate motor truck carriers to reflect legislative change that interstate motor truck carriers are subject to excise tax and not personal property tax

Rule 11 / 11.1 – 11 Repealed and Replaced with 11.1

Rule 12 – Repealed

Rule 13 – Repealed and language now contained in 11.1

Rule 14 – Clarifies that the six (6) digit 2007 NAICS codes should be used rather than the old four (4) digit codes

Rule 15 – Most sections repealed; still contains language on assessment of personal property for servicemen; assessment of refined petroleum products, marketing equipment, crude oil, and natural gas at well head; assessment of leased data processing equipment; and present value of personal property leases