

Personal Property Tax Notes

High-Technology Equipment

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PROPERTY TAX CLASSIFICATION

and the valuation of high-technology equipment are evolving almost as quickly as the technology itself and have presented significant challenges for property tax professionals and assessors. The classification of property as tangible, intangible, or even real is becoming more complex. Further, vast changes in technology present taxpayers with an opportunity to reconsider the value of their reported business tangible personal property, in spite of state-mandated valuation approaches. As states and localities struggle to apply varying legislative, judicial, and administrative authorities, local tax assessors acknowledge that the general depreciation schedules have not kept pace with technological changes. This column examines how these challenges to property classification and valuation present opportunities for taxpayers to reduce business tangible personal property tax assessments.

SECURING THE PROPER CLASSIFICATION AND VALUATION OF TANGIBLE PERSONAL PROPERTY

Some 40 states subject business tangible personal property to property tax. Like other areas of state taxation, differences among state laws makes compliance difficult, often resulting in the overvaluation and misclassification of business tangible personal property. In addition, technological changes and advances raise a host of valuation and classification issues. Technological equipment, including computers and peripherals, software, automated teller machines, and telecommunications licenses and equipment, are frequently misclassified or overvalued. The revolutionary pace of technology advances increases tax compliance burdens, yet these same developments offer many opportunities to positively influence overall property tax liabilities.

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