

Business Equipment Valuation

Correctly classify machinery and equipment reported on business property statements (BPS).

When machinery and equipment is reported in bulk, particularly in industries such as manufacturing, there is often some percentage of assets that meet the criteria for fixtures. Furthermore, service station related fixtures (such as fuel pumps, dispensers, piping, hoists, island curbing, built-in freezers, and other retail fixtures) are often reported with machinery and equipment. [Letter To Assessors \(LTA\) No. 92/27](#) provides assessors guidance in making classification decisions when enrolling service station business equipment.

Classification is an important element of the local assessment function for several reasons. Principally, it is important because property tax law requires the assessment roll to show separate values for land, improvements (including fixtures), and personal property. It is also significant because of the assessment differences between real property and personal property. Those differences include: (1) only real property receives special assessments, (2) personal property is appraised annually at market value, while fixtures are assessed at the lower of current market value or factored base year value, and (3) fixtures are a separate appraisal unit when measuring declines in value.

The assessor should make a concerted effort to prorate machinery and equipment costs reported on Schedule A of the BPS between personal property and fixtures, particularly when enrolling taxable property related to industries that are likely to mix fixtures and personal property in reported cost data. The assessor's current practice may lead to inaccurate allocations between fixtures and personal property in specific industry settings and cause incorrect assessments.

Use the Board-prescribed factor tables as intended when valuing mobile agricultural equipment.

[Section 401.16\(a\)\(2\)](#) allows the assessor to average the new or used percent good factors for both mobile agricultural and construction equipment when the property owner does not indicate on the business property statement (BPS) whether the equipment is first acquired new or used. However, when the condition is known, the assessor may not average the published factors to apply these factors to both classes of new and used property. Mobile equipment depreciates at different rates depending on its condition when purchased. In order to ensure the most accurate value indicator possible, appropriate valuation tables should be utilized when sufficient information is available. When the condition is known, the assessor should apply the appropriate percent good factors.

By using average percent good factors on all mobile equipment, regardless of whether the condition at the time of purchase is known, the assessor is failing to follow statute and may be enrolling incorrect assessments.

Issue supplemental assessments for structural improvements assessed on the unsecured roll.

[Section 75.14](#) provides that all property subject to the assessment limitations of [article XIII A](#) of the California Constitution shall be subject to supplemental assessment. [Section 75.11](#) provides that supplemental assessments shall be issued following a change in ownership or completed new construction. Structural improvements, which are real property, are subject to supplemental assessment, regardless of whether they are enrolled on the secured or unsecured roll.

The assessor's practice of not issuing supplemental assessments for structural improvements assessed on the unsecured roll is contrary to statute and results in the unequal treatment of taxpayers.