



Alabama Personal Property Appraisal Manual

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Alabama Department of Revenue

Personal Property Appraisal Manual

Published by the Property Tax Division
Revised: July 2022

This manual is published to implement the procedures, requirements, programs, and policies of the Property Tax Division to appraise, value, and equalize personal property assessments in Alabama.

Goal and Purpose

The goal of the Property Tax Division is to properly administer the ad valorem tax laws as they pertain to the discovery, valuation, assessment, and collection of taxes on personal property.

Objectives:

- Identify, for assessment purposes, all owners of taxable personal property
- Identify all personal property subject to ad valorem tax
- Properly value all personal property subject to ad valorem tax
- Maximize collections of taxes on properly assessed personal property

Mission and Authority

- A. Review the status of the personal property program in each county in order to determine the progress achieved in implementing the program, the level of uniformity in the county and the level of values in the county. §§40-2-11(1) and 40-7-60, Code of Ala. 1975.
- B. Recommend and set standards and procedures to be followed by county tax assessing officials. Recommend organization of work and assignment of duties and tasks in the various offices to maximize efficiency and effectiveness of the personal property program. §§40-2-11(1), 40-2-11(13), 40-7-61 and 40-7-64, Code of Ala. 1975.
- C. Assist county personnel in implementing the overall personal property appraisal program. Help design a field review schedule and train county personnel in the appraisal of personal property in accordance with the Property Tax Plan for Equalization. §§40-2-11(2), 40-2-11(3), 40-7-61, Code of Ala. 1975.
- D. Review the work of the tax assessing official in order to determine compliance with Property Tax Division regulations, standards, and procedures as well as compliance with the provisions of Title 40, Code of Ala. 1975, as they pertain to ad valorem taxation of personal property. §§40-2-11(1) 40-2-11(13) and 40-2-11(9), Code of Ala. 1975.

- E. When a review of the status of the personal property program in a county reveals a deficiency, the Property Tax Division will order the tax assessing official to properly implement regulations, standards, and procedures. The Property Tax Division will order county officials to properly fund and staff the tax assessing officials' offices, when necessary, in order to implement the personal property appraisal program. §§40-2-11(1 through 3) and 40-2-16 and 17, Code of Ala. 1975.
- F. If a county fails or refuses to implement the personal property appraisal program either on the part of the tax assessing official's failure to implement the program or on the part of the county commission to properly fund and staff the tax office, the Property Tax Division will take whatever action is necessary to implement all or part of the personal property appraisal program. §§40-7-67(a), 40-7-68 and 40-2-17, Code of Ala. 1975.

Definitions

- 1. Acquisition cost is the cash outlay including the purchase price of the asset, freight and installation cost, sales and/or use tax, extra foundations necessary to support the asset, and any other cost incurred for the use of the property.
- 2. Actual age is the number of years from the date of acquisition to the present.
- 3. Composite factor is the combination of the index factor and percent good, applied to an asset's acquisition cost to arrive at a market value.
- 4. Depreciation is the loss in value, from all causes, of property having a limited economic life.
- 5. Economic life is the estimated period of time an item of personal property may be profitably used for the function it was designed.
- 6. Effective age is the age of personal property comparing its present condition and usefulness to its actual age.
- 7. Historical cost is the cost of an item of personal property at the time it is purchased by the first owner. It is also known as the original cost or acquisition cost.
- 8. Intangible personal property is property in which value is based on evidence of ownership rather than physical or tangible characteristics. This property includes, but is not limited to: money, shares of stock, annuities, patents, stocks, bonds, notes receivable, insurance policies, money market certificates, and similar items.
- 9. Lease is a written or implied contract by which an owner (the lessor) of a specific asset (such as a parcel of land, building, equipment, or machinery) grants a second

party (the lessee) the right to its exclusive possession and use for a specific period and under specified conditions, in return for specified periodic rental or lease payments.

10. Lessee is the user or renter of the leased asset or property. In case of capital leases, the lessee is also the 'debtor' to the lessor.
11. Lessor is the owner or the title holder of the leased asset or property. The lessor is also the lender and secured party in case of capital leases and operating leases.
12. Leasehold Improvements are improvements or additions to leased real property which are made by the tenant (lessee) and taxable to the owner of the real property (landlord/lessor). In many cases, items of personal property are incorrectly classified as leasehold improvements.
 - a) For example, a firm may lease a building which has no interior walls and install a false ceiling and movable floor-to-ceiling walls to create rooms. The walls may appear to be real property, taxable to the lessor, but are actually items of personal property, taxable to the lessee.
 - b) Items such as storage bins, display counters, walk-in coolers, fixed equipment in service stations, portable buildings, pumps, and tanks are also examples of personal property which are often misclassified as leasehold improvements.
 - c) *Interior decor packages* have been determined to be a custom or special interior finish and therefore are to be regarded as trade fixtures and treated as personal property.
13. Market value is the most probable price expressed in monetary terms that a property would bring if exposed for sale in the open market in an arm's-length transaction between a willing seller and a willing buyer, both of whom are knowledgeable concerning all the uses to which the property is adapted and for which it is capable of being used. Market value is a hypothetical or estimated sale price. The seller and buyer must both be free of unusual pressures, duress or relationships which would limit their bargaining power.
 - a) The United States Supreme Court provided the following definition of market value for personal property in 1865:
 - b) "The market value of goods is the price at which the owner of the goods, or the producer, holds them for sale; the price at which they are freely offered in the market to all the world; such prices as dealers in the goods are willing to receive, and purchasers are made to pay, when the goods are bought and sold in the ordinary course of trade."
 - c) Personal property sold from one user to another user would not necessarily establish market value, as neither is a dealer in the goods held for sale.
14. Percent good is the percentage of replacement cost new value remaining in a property (depreciation is the value lost).

15. Personal property is generally defined as property not permanently affixed to, or part of, the realty. Generally, everything that is not real estate is personal property. To differentiate between realty and personal property, the tax assessing official must consider the way the property is attached or secured at the location, the purpose for which the property is used, and whether it is to remain permanently affixed to the realty. There are two classes of personal property: tangible and intangible.
16. Remaining economic life, as of the appraisal date, is the remaining period of time an item of personal property may be expected to profitably perform the function for which it was designed.
17. Replacement cost new is the cost required to replace an item of personal property with a new one of like utility in the current market.
18. Situs is the taxable location of an asset. The situs of personal property may be the location of the property or, in the instance of highly movable property, the taxing jurisdiction in which it is located on October 1. When personal property acquires a more-or-less permanent or fixed situs (not a transient or temporary one), that jurisdiction and no other may impose a tax.
19. Supplies are stocks of goods intended to be consumed during the normal course of business. They do not include raw materials, finished goods, and inventory held for resale.

Supplies are common types of property, which are often misclassified and unreported by taxpayers. They render a service to the business but are not embodied in the final product. They include but are not limited to: office and professional materials, wrapping materials, replacement and repair parts, spare parts, clothing, lubricating oils, mailing and shipping materials, selling and advertising materials, janitorial and cleaning materials, chemicals, pallets, fuels and other consumable items.

Supplies may not be abated.

Supplies are valued at their acquisition cost.

20. Tangible personal property is the actual physical property. All property, other than structural components, contained in or attached to a building. This property includes but is not limited to: machinery, equipment, tools, furniture, fixtures, computers, and other similar items.
21. Useful life is the estimated normal operating life in terms of utility to the owner of an asset.
22. Value in exchange is the amount an informed purchaser would offer for personal

property under given market conditions. The concept that states value is based on the ability of property to command another asset, such as money, in trade.

23. Value in use is determined from the use of assets, or at the point they will be used by the owner for their intended purpose. As applied to personal property, the concept of value in use implies that equipment is installed and in continual use for generating income or performing its function.

Subjects of Taxation

§40-11-1, Code of Ala. 1975, lists the subjects of taxation and should be referenced when questions arise as to the taxability of specific items of personal property. Below is a quick reference list of several categories of personal property subject to taxation:

1. Construction machinery and equipment.
2. Implements and tools of mechanics.
3. Office machines, cash registers, safes, office and store furniture and fixtures, computers.
4. Machinery and equipment used in mines, quarries, manufacturing, processing, or compounding.
5. Printing presses, equipment, and materials.
6. Steamboats, barges, wharf-boats, ferries and other vessels and watercraft of every name and kind, outboard motors.
7. Airplanes, airships, hot air balloons and other aircraft.
8. Radios, appliances, televisions, DVD players and electronic equipment.
9. Medical equipment and instruments.
10. Gasoline, oil and other tanks, pumps, filters, etc.
11. All other personal property not otherwise specifically exempted.

Exemptions

Chapters 8 and 9 of Title 40, Code of Ala. 1975, list several exemptions from property taxation. The appropriate chapters of Title 40 should be referenced for specific exemptions. A short summary of these exemptions is listed below:

1. Real and personal property of the United States, this state, and counties and municipalities of this state.
2. Real and personal property devoted exclusively to religious, educational, or charitable purposes by the owner.
3. All cemeteries.
4. All devices, facilities or structures acquired or constructed primarily for the control, reduction or elimination of air or water pollution.
5. All farm tractors as defined in §32-1-1.1(19) and all farming implements as defined in §40-11-1(b)(5) when used exclusively in connection with agricultural purposes as defined in §40-8-1(b)(1) as amended; see Department of Revenue Administrative Rule [810-4-1-.13](#). All farm tractors and farming implements, as defined above, when used for rental or lease, do not meet the criteria of being used exclusively for agricultural purposes and, therefore, do not qualify for the exemption.
6. All stocks of goods, wares and merchandise described in §40-11-1(4), as amended.
7. Household and kitchen furniture in the home; see Administrative Rule [810-4-1-.10](#)
8. Peanuts and pecans stored in licensed warehouses.
9. Products or materials used in textile manufacturing, which become part of the finished product.
10. Manufacturers of calcium cyanamide, aluminum or aluminum products for a period of ten (10) years.
11. Personal property stored, for a period not to exceed 36 months, for shipment outside of the state.
12. Personal property held by warehouseman for distribution.
13. Certain property owned by Y.M.C.A., Y.W.C.A., Y.W.C.O., the Girl Scouts of America, the Boy Scouts of America, the Salvation Army, volunteer fire

departments, etc.

14. Property of corporations or associations formed for social or literary advancement and used in connection with colleges or universities.
15. Property owned and used or held by colleges for certain purposes.
16. Property of corporations organized for purposes of aiding retired teachers, etc.
17. Nuclear fuel assemblies.
18. Personal Property Owned by a Business to the extent of \$40,000 in market value exempt from state levied ad valorem tax; county or municipality may adopt exemption for county or municipal tax by resolution or ordinance.

All statutory exemptions must be claimed with the tax assessing official for the exemption to be granted.

Discovery

The efficiency of the personal property taxing system is directly related to the method of discovery. The personal property returns along with the previous years' assessment records will be the primary sources of discovery. When these primary sources do not provide the required information, other sources must be utilized. Some other sources for the discovery and ownership of personal property follow:

1. Physical inspections.
2. Real property field appraisers' files, reports, records and property records cards;
3. Audits.
4. State and local sales tax permits.
5. State, city, and county business licenses.
6. Chamber of Commerce membership listings.
7. New business listings from various media sources.
8. Public records (e.g., trade name records, chattel mortgage records, corporation charters, partnership articles, and assumed name notices).
9. Property transfer documents.

10. Published advertisements.
 11. Internet searches.
 12. Social media.
 13. City directories.
 14. Accounting records.
 15. Tax returns.
- A. Once the property has been discovered and the owner identified, the appraiser or tax assessing official will contact the owner of the property, establish an account, or record, and perform a physical inspection the property, if necessary. During a physical inspection, the appraiser will speak to the owner or manager of the property, explain the purpose of the visit, and then obtain the necessary data from the owner, manager, or other appropriate person.
- B. Information obtained from a business should be detailed and include the following:
1. Name of the business.
 2. Type of business.
 3. Type of ownership.
 4. Situs of the personal property and mailing address of the business.
 5. Name, physical address, and email address of the owner(s);
 6. Telephone number of the business.
 7. Name and title of the person providing the information.
 8. Name, address, email address, and telephone number of the individual keeping accounting records for the business.
 9. The date the business was established and its fiscal year.
 10. For leased equipment, the name and address of the lessor, information about the equipment (including name of manufacturer, date of manufacture, description, model number, serial number, list price, and original cost if available), lease account number, and terms of the lease. If possible, a copy of the lease agreement should be obtained.

11. For loaned or consigned items (i.e., vending machines and amusement devices, etc.), the name and address of the owner(s) and a brief description.
12. The nature of any leasehold improvements because these may be assessable as real property. Care should be taken to avoid double assessment and taxation.
13. A list of personal property owned by a business located at another site within the county, including a brief description and address.

Steps in the Initial Valuation Process

These procedures are to be used by the tax assessing official and appraisal staff to ensure equity and uniformity in valuing the many types of personal property, in accordance with Department of Revenue Administrative Rule 810-4-1-.04. The guidelines below are intended to advise, direct, and assist counties in the appraisal of personal property:

1. Discovery of personal property as outlined in Section VI.
2. Mail a personal property return to each taxpayer with a required date to be filed.
3. If the owner fails to file the personal property return in a timely fashion, a second notice is to be sent.
4. If there is no response to the second notice, contact the property owner to obtain an asset listing. A physical inspection may be conducted at this time.
5. Calculate the market value using guidelines established in this manual upon receiving a personal property return from the taxpayer. If no return is filed, other valuation methods outlined in this manual may be used to assess the property.
6. Review the return for completeness and resolve any discrepancies with the property owner or their agent. Then, use the information from the return to calculate the market value of the personal property.
 - a) For an existing account, compare the return received with previous years' returns. This ensures property has not been improperly deleted and additions have been listed. You may also compare the return with other similar businesses.
 - b) For a new account, compare the return received with other returns filed by similar businesses.
 - c) Analyze the calculated market values for consistency with other comparable businesses.
 - d) If no return is filed and no comparable business values are available, make a field inspection and refer to available cost data to determine final market value.

Concepts Used in Personal Property Appraisal

A. Depreciation

As with all appraisals, the determination of depreciation is critical to the final estimate of value. Depreciation and trending for inflation, reflected in the composite factor, must be applied to the original acquisition cost of items of personal property in order to determine market value. All personal property appraisers statewide must use the Personal Property Composite Factor Table published annually by the Department of Revenue for equalization.

B. Economic Life and Useful or Physical Life

The physical life of personal property is the period extending from the time an asset is new until it is no longer physically usable. The economic life of personal property is the estimated period of time measured from the date an asset is new until it can no longer produce a yield greater than its maintenance expense. The economic life of personal property may be extended by regular maintenance, rebuilding, or refurbishment. Total economic life can never exceed, and is generally shorter than, the physical life of an asset.

The Property Tax Division has created business identification codes with corresponding economic lives for various types of assets and businesses. These codes are updated periodically. All questions regarding assigned economic lives should be referred to the Property Tax Division.

C. The Acquisition Cost (Historical or Original Cost)

Businesses acquire property by various purchasing methods. Property may be acquired by cash purchase; by contract or a deferred payment plan; by exchange or trade; by issuance of securities on other property; by self-construction; by gift or discovery; or by other cost bases.

Businesses generally report property acquisitions on an "original" cost basis, adhering to the price paid at date of acquisition. However, acquisition cost must include the purchase price of the asset, freight and installation cost, sales and/or use tax, extra foundations necessary to support the asset, and any other cost incurred for the use of the property. Financing costs and interest paid on installment loans are generally not included in the cost of an asset for property tax purposes.

When questions arise or an audit is conducted, an examination of pertinent accounting records will ensure that the appropriate cost is reported. The appraiser's report must describe the type of records examined for the appraisal.

D. Acquisition Date

This is the date on which the asset was purchased. In some cases, the date shown on a depreciation schedule is actually the date on which the asset is recorded for capitalization purposes. Capitalization of an asset occurs when depreciation begins for federal income tax purposes.

E. Index Factors

A price index is a normalized average of price changes for a given class of goods or services. These indices are used in appraising property to trend historical cost to replacement cost new (RCN). The cost reported for appraisal is generally accounting or historical cost. These factors are published annually by the Property Tax Division and reflect the average trends in inflation. Index factors are used in the calculation of the composite factors.

F. Depreciation Using the Percent Good Tables

Depreciation is estimated using a remaining value or percent good. Normal depreciation allows for the decline in value of the property over its estimated economic life. Several factors such as age, maintenance, refurbishment, and repairs must be considered when estimating the depreciation or percent good of an item of personal property. The percent good rates published by the Property Tax Division are based on average condition and age and are used in the calculation of the composite factors.

G. Composite Factors

The composite factor is the combination of the index factor and percent good, applied to an asset's acquisition cost to arrive at a market value. The following steps are used to determine replacement cost new less depreciation (RCNLD).

1. Determine the acquisition cost of each asset to be valued.
2. Select the appropriate composite factor from the Personal Property Composite Factor Table based on the acquisition date and the economic life assigned to the asset.
3. Multiply the original cost by the composite factor.

The following is an example of estimating the RCNLD of a hobby shop using the 2019 Composite Factor Table:

Acquisition cost	= \$10,000
Acquisition date	= 2014
Economic life	= 10 years
Composite factor from table	= 63%
RCNLD	= \$6,300 market value

Personal Property Tax Timeline

<u>Function</u>	<u>Begin</u>	<u>Complete</u>
<u>Mail Personal Property Returns.</u> Returns (form ADV-40) must be mailed to every known business in the taxing jurisdiction.	August 1	October 1
<u>Review and Calculate Returns.</u> Returns are to be reviewed and calculated as they are received.	October 1	March 31
<u>Conduct Telephone or Email Inquiries.</u> Telephone or email inquiries are to be conducted on all returns set aside for such audits during the review process. If sufficient information cannot be obtained from an inquiry, a physical inspection, or detailed audit must be scheduled.	October 1	March 31
<u>Mail Second Notices.</u> Demand notices are to be mailed to every business for which a return has not been received by December 31. The taxpayer will have until the 3rd Monday of January to submit a return without penalty.	January 1	January 5
<u>Mail Appraisal Notices.</u> Per §40-7-25, Code of Ala. 1975, notices of market value are to be mailed to personal property owners. The notice gives the property owner 30 days in which to file a protest of the market value to the Board of Equalization (BOE).	April 1	May 20
<u>Hold BOE Hearings.</u> Hearings are to be held in conjunction with real property BOE hearings.	June 1	June 30
<u>Make BOE Changes.</u> Changes made by the BOE are to be recalculated.	June 1	July 5
<u>Deliver Complete Abstract to Tax Collector.</u>		by July 15
<u>Conduct Physical Inspection and Detailed Audits.</u> Physical Inspections are to be conducted on 20% of the personal property accounts in each taxing jurisdiction annually. These inspections are to be conducted so that all accounts within the taxing jurisdiction will be inspected in a 5-year period.		Ongoing

Personal Property Returns

The appraisal staff will mail a Personal Property Return (ADV-40) form to all accounts on file as of the October 1 lien date. Information obtained from the personal property return will be used to assist the appraiser in arriving at the market value of all taxable personal property. The taxing official will make a demand on any taxpayer not filing a return by December 31 of each year and estimate market value if a return is not filed by the 3rd Monday in January of each year. See Department of Revenue Administrative Rule 810-4- 1-12 for reporting requirements for personal property.

1. General Information

The first pages of the ADV-40 Personal Property Return are used to ascertain the taxable jurisdiction of personal property, gather information regarding the reporting entity, and determine the property to be listed in the parts of the return. The form must be signed, attesting to the information reported.

2. Part A – Supplies and Asset Listing

Part A of the return is used to list all assets owned by the taxpayer. The information required in Part A of the return includes a description of the asset, the acquisition date of the asset, and the acquisition cost of the asset. A complete itemized listing must be provided of all personal property subject to taxation and owned on October 1.

In some cases, the taxpayer will choose to attach a depreciation schedule as the listing of assets rather than fill out Part A of the return. This is acceptable if (1) the depreciation schedule has been updated to include all additions and deletions as of the October 1 lien date, and (2) the depreciation schedule includes all of the information necessary to value the assets. Note: A depreciation schedule may not include all taxable property owned by a business. Some assets may be expensed rather than capitalized, and therefore they are not included on the depreciation schedule.

Cost of supplies and materials on hand as of October 1 or a monthly average is reported in addition to the asset listing.

3. Part B - Add-On to Motor Vehicles

Part B of the Personal property Return must be completed if the taxpayer is unable to separate the cost of add-on or specialized equipment affixed to the cab and chassis of a motor vehicle. Add-on or specialized equipment is any machinery and equipment added to the cab and chassis of a motor vehicle. The taxpayer must provide the motor vehicles' year of manufacture, make, model, tag number, complete vehicle identification number, description, acquisition date, and total

purchase price.

If the acquisition date and the acquisition cost of add-on equipment are known, the asset is reported on Part A on the Personal Property Return (ADV-40).

Upon motor vehicle registration, the motor vehicle values issued by the Property Tax Division, represent the market value of motor vehicle cab and chassis only and do not include the equipment and bodies added to a vehicle after it leaves the original manufacturer. In these instances, the original manufacturer builds an incomplete vehicle (cab and chassis), and a secondary manufacturer or "upfitter" adds specialized equipment and/or bodies to the incomplete vehicle. These "add-on" or "added value" components are to be assessed as personal property.

Add-on equipment includes, but is not limited to: box type bodies, concrete mixer drums, dumping mechanisms, wrecker rigs, and propane and petroleum tanks. Add-on equipment is found on many different types of motor vehicles including, but not limited to; moving trucks, concrete trucks, delivery trucks, dump trucks, propane or petroleum trucks, ambulances, meat and produce trucks (refrigerated), beverage trucks and armored vehicles.

Calculating market values for add-on equipment

The following are examples of how to calculate the market value for commercial motor vehicles:

Example #1

Purchase of a new commercial motor vehicle. (As of October 1, 2019)

Model year:	2014
Make:	Kenworth
Model:	C500B 4x2 D - AB
Tag number:	2X5632
VIN:	1NK5HSAA5SA06819
Veh. desc.:	Cement mixer
Date acq.:	June 18, 2014
Acq. cost:	\$186,570

The first step is to determine the cost of the add-on equipment. This is done by subtracting the value of the cab and chassis new, which is provided by the Property Tax Division, from the total acquisition cost of the vehicle.

Total acquisition cost:	\$186,570
Less cab and chassis:	<u>\$148,600</u>
Cost of add-on:	\$ 37,970

The second step is to multiply the cost of the add-on equipment by the appropriate composite factor from the Personal Property Composite Factor Table.

Cost of add-on	\$37,970
Composite factor:	<u>X .63</u>
Market value of add-on:	\$ 23,921

Note: Once the cost attributed to the add-on equipment has been determined, it is to be listed in Part B of the Business Personal Property Return each subsequent year and valued using a 10-year economic life.

Example #2

Purchase of a used commercial motor vehicle. (As of October 1, 2019)

Model year:	2014
Make:	Mack
Model:	MRU613 6X4 D-AB
Tag number:	4X3724
VIN:	2M2AV98C1LC006171
Veh. desc.:	Dump truck 25 cubic yd.
Date acq.:	May 8, 2016
Acq. cost:	\$175,450

The first step is to determine the depreciated value of the cab and chassis. This is done by multiplying the value of the cab and chassis new, as derived from the Property Tax Division, by the appropriate percent good found on the Heavy Truck/Tractor Percent Good Schedule, also provided by the Property Tax Division.

Value of Can and Chassis new:	\$185,900
Times percent good:	<u>X .62</u>
Depreciated value of Cab and Chassis:	\$ 115,258

The second step is to subtract the depreciated value of the cab and chassis from the acquisition cost used of the vehicle.

Total acquisition cost:	\$175,450
Less dep. Value of Cab and Chassis:	<u>\$115,258</u>
Used cost of add-on:	\$ 60,192

Then multiply the used cost of the add-on equipment by the appropriate composite factor from the Personal Property Composite Factor Table.

Used cost of add-on:	\$60,192
Composite factor:	<u>X .81</u>
Mkt. value of add-on:	\$ 48,756

Example #3

Purchase of a used commercial motor vehicle with different original acquisition dates for the cab & chassis and the add-on equipment. (As of October 1, 2019)

Cab and Chassis model year: 2013
Equipment hauler model year: 2015
Make: International
Model: 4300 4x2 D - HB
VIN: 1HTMM2274BG062070
Vehicle description: Heavy duty industrial roll back equipment hauler
Acquisition date: June 20, 2017
Acquisition cost: \$47,250

The first step is to determine the depreciated value of the Cab and Chassis. This is done by multiplying the value of the Cab and Chassis new, as derived from the Property Tax Division, by the appropriate percent good found on the Heavy Truck/Tractor Percent Good Schedule, from the Property Tax Division.

Cab and Chassis:	\$77,500
Percent good:	X .46
Depreciated value of Cab and Chassis:	\$35,650

The second step is to subtract the depreciated value of the Cab and Chassis from the total acquisition cost used of the vehicle.

Total acquisition cost used:	\$47,250
Less dep. value of Cab and Chassis:	<u>\$35,650</u>
Used cost of add-on:	\$11,600

Then multiply the used cost of the add-on equipment by the appropriate composite factor from the Personal Property Composite Factor Table.

Used cost of add-on:	\$11,600
Composite factor:	X .88
Mkt. value of add-on:	<u>\$10,208</u>

4. Part B-1 Permanent Trailer Tags Vehicles Tagged Out of State and Based in Alabama

Part B-1 of the Alabama Personal Property Return (ADV-40) must be completed annually by the taxpayer to list all truck trailers, semi-trailers, and tractor trailers for which an Alabama permanent trailer license plate has been issued. See Department of Revenue Administrative Rule 810-4-1-.03 for procedures regarding permanent trailer tags.

Additionally, pursuant to §40-11-1, Code of Ala. 1975, all owners of vehicles based in Alabama on the October 1 lien date, but registered and tagged in another state, are subject to property tax in Alabama and should report these vehicles as personal property on Part B-1.

These vehicles and trailers are valued using market values provided annually by the Property Tax Division.

5. Part C (removed) – Aircraft, including helicopters, hot air balloons, and drones

Part C of the Alabama Personal Property Return (ADV-40) has been replaced with form ADV-ACR45 for the reporting of aircraft to the department, pursuant to §32-11-2, Code of Ala. 1975. Beginning October 1, 2022, form ADV-ACR45 will be used by the taxpayer to list all aircraft based in Alabama, including planes, helicopters, and hot air balloons. Drones are only taxable as personal property if used in a business activity.

The taxpayer is to provide the following information for each aircraft: aircraft number, serial number, year, make, model, acquisition date, and acquisition cost. Hot air balloons are to be listed with the following information: aircraft number, date acquired, cost, suggested life of envelope, hours envelope used. Aircraft will be valued based on the procedures set out in department administrative rule 810-4-1-.09.

Avionic equipment includes, but is not limited to, directional finders, radar, transponders, etc. When avionic equipment is not included in the base aircraft cost it is considered non-standard. Non-standard avionic equipment is reported separately on the ADV-ACR45.

Hot air balloons are aircraft and are subject to property tax as provided for in §40-11-1(5), Code of Ala. 1975. Hot air balloons are to be valued using the following procedures: Balloons typically consist of the following components: envelope, basket, tank, and burner. The envelope constitutes approximately 70% of the total value of the aircraft. New envelopes are registered with the FAA and assigned "N" numbers by that agency. Envelopes are subject to annual inspection by an FAA repairman who determines the porosity (density) of the envelope. The repairman would declare the envelope "expired" when the density is too low to fly the balloon,

but the accessories may be attached to a new envelope. Therefore, the age of the envelope and the age of the accessories could be different.

Manufacturers supply a suggested life (in hours of potential operation) with each envelope. The FAA requires that a flight log be kept of the number of hours of operation. To value balloons, the following information is needed from the balloon owner: purchase date and purchase price of the balloon, suggested life (in hours) of the envelope, date of purchase and cost of envelope if purchase date of envelope is different from purchase date of accessories, and the number of hours the envelope has been used.

The envelope is valued by indexing its cost (70% of total cost) to replacement cost new and using a depreciation factor determined by the age/life method. The accessories are valued by their percentage of total cost (30%) times a ten-year economic life composite factor to reach market value.

6. Part D – Construction in Progress

Part D of the Alabama Personal Property Return (ADV-40) is to be used by the taxpayer to list items of personal property that have been purchased but not yet placed in service, often referred to as construction in progress (CIP). Generally accepted accounting practices provide for the capitalization of assets to begin on the date the property is placed in service. In many cases, these assets are physically located at the business site well in advance of their being placed in service. Information to be reported regarding CIP includes the item description, cost as of the October 1 lien date, anticipated total cost, and anticipated in-service date.

The reported costs must include the invoice price and any sales/or use tax applied; all freight charges associated with the delivery of the assets; and all installation charges related to placing the assets in service, such as labor, special wiring or plumbing, additional foundations, etc. Once the correct cost of CIP has been determined, the market value is 100% of the cost until the items are placed in service.

Many businesses have costs included in their CIP accounts that are considered "soft" costs, such as architectural fees, engineering fees, etc. These costs, although associated with the overall project, are not considered costs of tangible assets and should not be included and valued.

7. Part E – Leased Equipment

Part E of the Alabama Personal Property Return (ADV-40) is to be used by the taxpayer to list assets located at the business and leased from another party. Items of personal property held under an operating lease shall be listed by the lessee in Part E. Items of personal property held under a capital lease or

conditional sales contract shall be reported on Part A by the lessee. Capital leases, conditional sales contracts, and operating leases are discussed in greater detail in Section XI of this manual.

Information to be included regarding leased assets includes: name of lessor, address of lessor, type of equipment, quantity, annual rent, term of lease, and date of lease.

8. Part F – Other Personal Property Located on Premises

Part F of the Alabama Personal Property Return (ADV-40) is used by the taxpayer to list personal property located at a business that belongs to someone other than the business owner (for example, vending machines). Included in this section is the name of the owner of the property, the owner's address, the area (square footage) that the property occupies at the location, and the type of property being reported.

Valuation Procedures for Special Properties

1. Bed and Breakfast and Short-Term Vacation Rentals

These types of establishments typically fall into two categories. The first being an establishment in which the owner/operator also inhabits a portion of the home as their primary residence and the other being an establishment in which the owner/operator does not maintain their primary residence.

In the first situation, where the owner/operator inhabits a portion of the home as their primary residence, all personal property that is used in the operation of the business and all personal property available for use by the business' clientele is subject to taxation. Only that portion of the personal property that is located in an area that is not accessible by the business' clientele and is solely for the benefit of the owner/operator, would be exempt from taxation.

In the situation, where the owner/operator does not maintain their primary residence, all the personal property located on the premises would be taxable.

2. Billboards

Billboards, including the concrete foundation, pole, lighting, and wiring, are to be valued on a cost basis with a 10-year economic life.

3. Cell Towers

When towers are reported on a personal property return for a business type that has an economic life other than 20 years, the towers are to be separated and valued using a 20-year economic life. Towers are typically found in Cellular Phone, Paging and Like Business (ID #4812) Cellular Towers (ID # 4815); Radio Stations (ID # 4830); Television Stations (ID # 4833); and Cable & Satellite Transmissions (ID # 4840).

The economic life for Business ID Code 4812 - Cellular Phone, Paging and Like Business will be three years. Antennae used in cellular transmission will have an economic life of three years. Furniture, fixtures, and power equipment (generators) located at the tower site are to be valued at a 10-year economic life.

4. Commercial Mobile, Portable, and Permanent Modular Units

These units are to be valued in accordance with department of Revenue Administrative Rule [810-4-1-.16](#).

See following page for examples:

- a) Commercial mobile units:
A structure, built on steel frames and mounted on wheels and axles for the purpose of transporting the unit to and from temporary locations. It is designed specifically for use as a temporary place of business, storage, or other commercial purpose and many consist of one or more units that can be attached or joined together.



These units typically will have the outward appearance of a Manufactured Home. Commercial Mobile Units are assessed personal property on each October 1 in the county where the unit is physically located and are assigned a ten (10) year economic life.

- b) Commercial portable units:
There are two types of these buildings, and both are designed for use as a place of business, storage, or other commercial purpose and may consist of one or more units that can be attached or joined together. They are typically transported



using a motorized vehicle or trailer. Commercial portable units are assessed personal property on each October 1 in the county where the unit is physically located.

- i. A factory-fabricated, transportable building typically built on a wooden frame with either an aluminum or wood exterior and mounted on a skid foundation for ease of loading and unloading. These structures are assigned a ten (10) year economic life.
- ii. Typically built of a superior quality material such as re-enforced concrete and placed on a poured foundation. These structures are typically found at Cellular Phone Sites and are assigned a 25-year economic life.



- c) Commercial modular units: A factory-fabricated, transportable building consisting of units typically built of wood frames. They are designed to be incorporated at a building site on a permanent foundation to be used for business purposes. They should bear a seal of compliance with regulations of the Alabama Manufactured Housing Commission. These structures are valued using the Alabama Real Property Appraisal Manual and assessed as real property in each county where the unit is physically located.



5. Computer Equipment

All devices and accessories (including personal computers, workstations, servers, data processing hardware and related telecommunications equipment, media and tools) are computer equipment. A computer peripheral is any external device that provides input and output for a computer. Non-limiting examples of computer peripherals are: printers, digital copiers, external storage devices, scanners, network adapters, digital cameras, plotters, webcams, and ATM's (automated teller machines). Peripheral equipment does not include equipment that is an integral part of other capital equipment that is included in other classes of business activity.

If an asset contains both computer and non-computer components and the computer equipment cost is separate and identifiable, it is to be valued at a three-year economic life. If a component's cost cannot be separated, the asset is valued entirely at the economic life of the business.

Some excluded items from the definition of computer equipment are adding machines, electronic desk calculators, fax machines, copiers and other types of duplicating equipment not connected to a PC.

6. Computer Software

Canned computer software - Office productivity software, bookkeeping and tax preparation software, records management software, and other such products that can be purchased over the counter are taxable as personal property.

Licenses or subscriptions purchased for the use of web-based software for a period of time are not taxable assets.

Customized Computer Software – Software developed to the specifications of a single user who holds all rights and title to the software does not have a marketable value and therefore, would not be taxable as personal property. This software could not be practically applied to any other user. This would not include software designed for use in the operation of a particular type of business or industry which is simply modified to an individual user's tastes.

7. Construction Equipment Owned by Leasing/Rental Companies

All businesses having a physical location within Alabama and engaging in the leasing and/or renting of construction equipment and construction-related equipment must report all such equipment on the October 1 lien date as follows:

- a) When the rental is a short-term lease (less than one year), the asset must be reported to the taxing jurisdiction where said equipment is based. "Based" is defined as the location which the property leaves from and returns to when the lease is terminated.
- b) When the rental is a long-term lease (a year or longer), the asset must be reported to the taxing jurisdiction where the equipment is physically located.

In addition to the lease/rental equipment, all other personal property (machinery and equipment, furniture and fixtures, supplies, computers, etc.) owned by the business must be reported to the taxing jurisdiction where said property is located.

8. Coolers

Modular coolers and freezers should be reported as business personal property. The economic life of the cooler is valued using the economic life of the business in which it is used.



Built-in coolers are assessed as real property.

9. Cranes

Cranes that are free-standing and not attached to the trusses of a building are to be assessed as personal property with an economic life of 20 years. Crane runways that are attached to the trusses of a building and are part of the structure are to be assessed as real property. The moving bridge and trolley portion of the crane is assessed as personal property with a 20-year economic life.

Cranes that are free-standing and not portable, used in the routine conduct of business, have a 20-year economic life. Portable cranes, such as cranes available for rent, may be used more frequently and should be given a shorter life based on the economic life of the business.



Free Standing Indoor – Personal Property



Free Standing Outdoor – Personal Property



Crane Runway Structure – Real Property
Crane – Personal Property

10. DVD Movies and Games Held for Rent

It has been determined that, due to the inventory mix and turnover rate of DVD movies and games, the indexing or trending of acquisition cost and the application of the percent good based on age may not be the best method to establish market value. Therefore, based on analysis of the movie and game rental business and ease of application and equity, the following formula is used for rental inventory:

- a) The number of DVD's/games in the rental inventory as of October 1 are grouped together by the year of acquisition.
- b) Multiply the number of rental movies/games, based upon media type, for each year of acquisition by the following:

DVD movies \$12.00 each
Games & Blue-ray discs \$20.00 each

- c) Multiply the above totals by the appropriate composite factor, from the three (3) year economic life column, based on the year of acquisition.

Other property held for rent, such as DVD/Blue Ray players and game systems, is valued using a five-year economic life. All other personal property except computer equipment, used in the operation of the business is valued using a ten (10) year economic life. The economic life placed on movie and game rental vending machines is five years.

11. Electronic Vehicle Charging Stations

Hardwired electric vehicle charging stations will be valued and assessed as real property. Portable electric charging stations, plugged into a 110 or 220-volt outlet, will be considered personal property and is valued on a 10-year economic life.

12. Heavy Equipment

Title 40-11-1 (c)(1) makes all property used for construction purposes, including heavy duty equipment, brought into the state after October 1 but before the third Monday in January subject to tax as if it had been here on October 1. If this equipment enters the state after the third Monday in January, it is not subject to taxation for the present tax year unless it is heavy duty equipment. Heavy duty equipment, no matter when it is brought into the state, is subject to taxation as if it were in Alabama on October 1; however, the taxes are prorated according to the number of months remaining in the tax year.

Heavy duty equipment is defined as any motor vehicle used primarily off the open road for construction purposes whose gross weight exceeds 16,000 pounds. It also includes all road construction equipment, regardless of weight.

13. Leased Equipment

The rented or leased equipment market includes several types of property. The economic life of a leasing company's lease inventory will range from 3 to 20 years,

depending on the type of property being leased. For valuation purposes, leased equipment located in a facility takes on the economic life of the facility as if it were owned by the company operating the facility and being reported on their personal property return with the following exceptions:

- a) Leased inventory - Electronic Equipment: An economic life of three years is assigned to the lease inventory of a leasing company whose lease inventory consists solely of electronic equipment such as copiers, telephone systems, fax machines, cellular phones, and postage machines, etc.
- b) Leased inventory - Medical Equipment: An economic life of eight (8) years is to be assigned to the leased inventory of a leasing company whose lease inventory consists solely of medical equipment such as X-ray machines, cryosurgery equipment, blood pressure machines, sterilizers, centrifuges, electrocardiographs, ultrasonic machines, etc. High-tech, computer-driven medical equipment, such as MRI machines, CT scan machines, computer-driven dialysis machines, and digital imaging equipment is assigned a five-year economic life.



c)



Capital Leases vs. Operating Leases:

The following procedures are established to ensure that all tangible personal property held under a lease or conditional sales contract is assessed to the proper owner for property tax purposes as of each October 1 lien date per Department of Revenue Administrative Rule [810-4-1-.22](#).

- i. Tangible personal property held under a capital lease or conditional sales contract shall be reported by and assessed to the lessee, for property taxes purposes.
- ii. Tangible personal property held under an operating lease shall be reported by and assessed to the lessor, for property tax purposes.

Capital Lease – a lease which transfers substantially all the benefits and risks inherent in the ownership of the property to the lessee, who accounts for the lease as an acquisition of an asset and the incurrence of a liability. A lease that meets one or more of the following criteria shall be classified as a capital lease:

- a) The lease transfers ownership of the leased property to the lessee at any point during or after the lease term.
- b) The lease contains an option allowing the lessee to purchase the leased property by the end of the lease term at a bargain purchase option.
- c) The lease term exceeds 75 percent of the estimated economic useful life of the leased property.
- d) The lease value exceeds 90 percent of the fair market value of the leased property at the beginning of the lease.

Operating Lease – a rental agreement which may be for any term and may be cancelable or non-cancelable for a fixed period of time and there is no transfer of ownership.

Conditional Sales Contract – a sales contract in which the seller reserves title until the buyer pays for tangible personal property, at which time, the condition having been fulfilled, title passes to the buyer.

14. Molds, Dies, Jigs, and Related Tooling

"Tools, dies, and industrial molds are used by industries such as the metal stamping, diecasting, and plastics molding industries to give the final shape or form to the items being produced. In industry usage, tools include dies, punch tools for dies, industrial molds, jigs, and fixtures. Molds and dies are similar to some extent in exterior appearance as both are usually produced as reverse-representations of the objects or shapes to be manufactured."

(<https://usitc.gov/publications/332/pub3556.pdf>) Molds, dies, jigs, and tooling, and the cost of fabricating them, are assigned a three-year economic life.

15. Office Furniture, Fixtures and Equipment

Regardless of business type, this property is valued using a 10-year economic life.

16. Oil and Gas Equipment

Per Department of Revenue Administrative Rule [810-4-1-.15](#), flowlines and gathering lines owned and controlled by the owner(s) of the wells are to be locally assessed. Sub-surface equipment is to be reported and assessed the same as any surface equipment.

Gathering lines which transport oil or gas of persons other than the owner(s) of the wells for either a fee or tariff shall be considered common carriers and will be centrally assessed by the department as Class I pipeline property. For oil or gas well equipment (ID # 1300), a five-year economic life is to be assigned. For oil or gas drilling equipment (ID # 1381), a five-year economic life is to be assigned.

All equipment, including any pollution control equipment, must be reported. The tax assessing official is responsible for determining exemption eligibility.

17. Out of State Vehicles, IRP, and Trailers

When calculating the property tax due on Alabama registered IRP (International Registration Plan) trucks, the market value of the truck must be apportioned based on the actual mileage traveled per vehicle inside the state of Alabama as a percentage of total per vehicle mileage. The owner is responsible for providing documentation as proof of mileage traveled. If documentation is not provided, the local county assessing official will be unable to apportion the market value and will calculate the property taxes due based on the total market value.

Numerous businesses in Alabama lease fleets of vehicles from out-of-state leasing companies. Often, these motor vehicles and semitrailers have out-of-state license plates. It is prudent to check the returns of all such businesses in a taxing jurisdiction to ensure proper taxation.

Trucks: Out-of-state vehicles having a tax situs in Alabama must be reported each year on a Personal Property Return (ADV-40, Part B-1) filed with the assessing official in the county where the trucks have obtained tax situs. The owner is responsible for providing the mileage traveled in state and total mileage of each vehicle to be apportioned. The market value of IRP registered trucks is apportioned based on the percentage of travel in Alabama. If documentation is not provided, the local county assessing official will be unable to apportion the market value and will calculate the property taxes due based on the total market value.

Trailers: Semi-trailers are not registered under IRP. Semi-trailers issued an Alabama permanent trailer plate and out-of-state semi-trailers engaged in interstate commerce, having a tax situs in Alabama must be reported each year on a Personal Property Return (ADV-40, Part B-1) filed with the assessing official in the county where the semi-trailers have tax situs. When calculating the property

tax due on a semi-trailer affixed to a truck with an IRP registration, the trailer's market value may be apportioned using the IRP documentation provided by the owner.

When calculating the property tax due on Alabama and out-of-state registered semi-trailers engaged in interstate commerce when the owner has no IRP trucks, the statewide average fleet mileage apportionment factor is used. This factor will be provided by the Property Tax Division to all county taxing officials annually. This rate is used to apportion the market value for ad valorem tax purposes.

18. Permanent Trailer Tags

Taxpayers may purchase a permanent trailer license plate upon payment of a one-time fee per license plate. The Department of Revenue Administrative Rule [810-5-1-.240](#) determines the type of trailer that qualifies to receive a permanent trailer tag. Upon the purchase of a permanent trailer license plate, the property taxes on the truck trailer, tractor trailer or semitrailer will be assessed annually as personal property in the county where the trailer is based. "Based" is defined as the location which the property generally leaves from and returns to in the normal course of business.

The truck trailers, tractor trailers or semitrailers, for which a permanent trailer license plate is purchased, will be reported on the form Personal Property Return (ADV-40). The department will provide current market data to the counties for assessment of permanent truck trailers, tractor trailers or semitrailers.

19. Poultry Processing

Poultry processing equipment, including hatchery equipment is taxable in Alabama. Hatcheries and feed mills are neither farm tractors, farm implements, or farm tools, which are the only farming equipment specifically defined as exempt from ad valorem taxation. However, if the equipment is owned by an agricultural marketing association organized under §§2-10-50 to 74, Code of Ala. 1975, the equipment is exempt.

20. Recreational Property

Any property that can be used for hunting, fishing, boating, jet-skiing, four-wheeling, camping, or other recreational activities may have taxable personal property. If the property is used in a business activity, personal property assets are to be reported and assessed.

21. Rental Houses

The personal property located in residential rental houses is taxable. This would include all furnishings and appliances located in the home and intended to remain in the house during the rental period that are the property of the owner of the real property. This personal property is to be treated just as the personal property located in a hotel, motel, or furnished apartment.

Any furnishings and appliances owned by the occupant of the home are exempt from property taxation.

22. Tanks

Cryogenic tanks, used for storing super-cold fuels, ranging in size from 250 to 13,000 gallons have an economic life of 15 years.



Large propane tanks, large bulk storage tanks, and underground storage tanks such as those at service stations, have an economic life of 20 years.



Small steel tanks, less than 250 gallons, are valued at a 10-year economic life.



Some tanks are valued as real property. An appraiser may consult the Real Property Appraisal Manual for reference.

Special Circumstances in Valuing Personal Property

- 1. Cost and/or Acquisition Date is Unknown:** When the cost and/or acquisition date of an asset is unknown the appraiser must obtain a good description of the property, including make, model number, etc. The appraiser may then consult a pricing guide, office supply catalog, the internet, etc. to determine a cost estimate for the item. Credible manufacturer and retail websites may provide insight into the value of personal property; however, auction and foreclosure websites should not be consulted. Once the cost has been established, the appropriate index factor and percent good are applied to calculate the market value. If the year acquired is unknown, the appraiser will also need to make an effective age judgement in order to determine the appropriate percent good factor to use.
- 2. Purchase of an Existing Business:** When an existing business is purchased, the price must be allocated among the assets, both real and personal, for accounting purposes and may or may not be indicative of market value. If there is a reliable personal property listing from the previous owner, it can be referenced. If no reliable listing is available, the appraiser should check comparable businesses or use pricing guides to value on an individual basis. A physical inspection may be required to obtain an itemized listing of the personal property. Personal property uses the concept of value in use, which implies that equipment is installed and in continual use for generating income or performing its function.
- 3. Used Property:** Whenever possible, the original acquisition date and cost should be obtained to value used equipment. However, when this information is not available, the purchase price of the used equipment may represent historical cost for the new owner/user of the property. This cost should be treated as the acquisition cost for the year the new owner purchased the used property and assumes that the price paid for the used equipment reflects all previous depreciation.
- 4. Replaced/Refurbished/Repaired:** In some cases, an entry will be included on a depreciation schedule for the refurbishing of furniture or the repair of an item of machinery. If the owner can identify to which items of personal property the refurbish or repair entries relate, the proper adjustments must be made to adjust the cost of the original asset.

If the owner is unable to identify the personal property to which the refurbish or repair entries relate, the entries are to be treated as if they were separate items of personal property. Apply the appropriate composite factor to the entries based on their date of acquisition.

Example of calculation:

Machine purchased new in 2015 at a cost of \$100,000. Machine reworked in 2019 at a cost of \$47,500. Both the original purchase and the repair costs have been reported on the taxpayer's return. Calculate present market value of machine.

Step 1

Convert current cost of repair work to original year of purchase dollars. This is done by dividing the current repair cost by the original year of acquisition's index factor.

$$\$47,500 / 1.08 = \$43,981$$

Step 2

Remove from the original cost, the amount attributed to the rework (calculated in Step 1).

$$\$100,000 - \$43,981 = 56,019$$

Step 3

Calculate the market value of the machinery using the adjusted cost from Step 2 and applying the appropriate composite factor. Then add the market value attributable to the repair cost as of October 1, 2019.

$$\$56,019 \times .72 = \$40,334 - \text{MV for 2015 Asset}$$

$$\$47,500 \times .96 = \$45,600 - \text{MV for 2019 Refurbishment}$$

If the original asset is disposed of in a future tax year, the refurbishment entry should also be removed from the listing.

5. **Idle Equipment:** In some cases, a business will own equipment that, for various reasons, is not being used. If the equipment is in working order but is not being used, the equipment is classified as idle equipment and is taxable. If the equipment is not in working order, a salvage or scrap value might be applicable. If the equipment is not being used due to functional or economic obsolescence, there may be justification for an adjustment to the market value.
6. **Situs in Multiple Jurisdictions:** Personal property is taxable in the taxing jurisdiction where the property is located (situs). Some businesses may own personal property located in multiple jurisdictions; for example, leasing or vending companies. If an owner cannot specify the exact location of the property, it is recommended to prorate the assessed value of the personal property according to the percentage of personal property in each taxing jurisdiction of the county.

Example of Proration for Multiple Jurisdictions:

XYZ, Inc. Total personal property market value = \$200,000

XYZ, Inc. Assessed Value \$200,000 * .20 = \$40,000

City A total assessed value = \$28,000,000

City B total assessed value = \$ 8,000,000

Outside city limits total assessed value = \$64,000,000

Total county assessed value = \$100,000,000

% of total assessed value City A: \$28,000,000 / \$100,000,000 = 28%

% of total assessed value City B: \$8,000,000 / \$100,000,000 = 8%

% of total assessed value outside city limits: \$64,000,000 / \$ 100,000,000 = 64%
= 100%

Prorated assessed value City A	28% of \$40,000	=	\$11,200
Prorated assessed value City B	8% of \$40,000	=	\$ 3,200
Prorated assessed value outside city limits	<u>64% of \$40,000</u>	=	<u>\$25,600</u>
	100%	=	\$40,000

7. **Home Based Businesses:** All personal property used in a home-based business is taxable and is to be reported by the business owner at 100% of its acquisition cost, even if the same property is used by the homeowner personally.

8. **Property Tax Abatements:** An abatement is a reduction or elimination of a taxpayer's liability for tax. §§40-9B to 9G, Code of Ala. 1975 outline abatements and the process by which they may be granted. Abatements are granted to encourage economic development by reducing non-educational taxes associated with certain industries choosing to do business in Alabama.

It is best practice to keep abatement accounts separate from the taxpayer's fully taxable account. Property is appraised at market value; however, the abatement reduces the tax rate applied. Taxpayers must provide an itemized list of all property, identifying those assets subject to abatement.

9. **Obsolescence:** Obsolescence is a reduction in value due to technological changes or innovation, changes in demand for a product, or other causes. Any inutility or obsolescence request must include backup information such as tax returns, audited financial statements, or published production statistics. Excel spreadsheets created in-house may not be the only proof of inutility.

10. Salvage / Scrap Value of Personal Property: Occasionally the appraiser will encounter personal property, still on the books or still in possession of the business, which is worn out and no longer used. These items may have value, which must be considered in the valuation of the property. Use the instructions on the Personal Property Composite Factor Table to determine the salvage or scrap value.

Field Inspection Procedures

An on-site inspection may be made of each entity which owns, holds, or uses tangible personal property subject to taxation, regardless of whether a personal property return is filed with the appropriate taxing official.

The purpose of a field inspection is to:

- a) Obtain adequate information to allow a reasonable estimate of value to be placed on the personal property.
- b) Inquire as to the value, age and estimated useful life of the personal property.
- c) Determine if there is any leased property located at the business.

Appraisers will make a detailed report to include:

1. Date of inspection
2. Account identification number(s)
3. Name of owner/DBA
4. Location of property (situation)
5. Mailing address (if different from property location)
6. Business telephone number
7. Contact name
8. Date the business opened
9. City, school and/or special district
10. If refused entry; by whom
11. Information pertaining to leased personal property such as: the name of the owner, a brief description of the property, and lease terms
12. Appropriate listing and description of personal property with the date of acquisition and cost

13. Economic life by item or classes of property
14. Effective age of the property (observed condition)
15. Square footage or area occupied with personal property
16. The business type and the appropriate business ID code
17. The quality, condition, density of the property, etc. in order to assign the appropriate grid class when a grid is available
18. Market value of the property based on a submitted return
19. Name of appraiser or reviewer
20. Uniform parcel number, where applicable
21. Comments

If a return has been filed, the personal property appraiser will inspect it for accuracy, comparing what the owner has filed with the appraiser's list of property compiled during field inspection.

If the financial records are available, the appraiser may examine (audit) these records and gather the following information:

- a) Supplies: actual costs of supplies on hand as of October 1 or the monthly average for the preceding year.
- b) Furniture, Fixtures, Machinery & Equipment: record original cost, acquisition date, economic or useful life (if purchased used, record the age on the date acquired).
- c) Leased Equipment: Verify that the property has been assessed based on the lease terms, including any appropriate escapes.

General Information

- A. Each county must have their own tax forms printed and any deviations from the Department of Revenue's standard Personal Property Return Form (ADV-40) must be approved in advance. Per the Property Tax Plan for Equalization, personal property returns must be mailed to all existing personal property accounts as well as those newly discovered.
- B. Assessment information, including assessed values, are public records. Personal property returns with the listing of assets, are confidential. The county filing system of personal property should be an alphabetical system and a cross reference for account numbers and parcel numbers should be maintained. This can be accomplished using Computer Assisted Mass Appraisal (CAMA) systems in each county.
- C. Assets acquired on or before October 1 of the current tax year are added to the personal property listing. Items noted as being "disposed of" or "removed" from the asset listing is to be deleted from the listing for assessment. If an asset critical to the function of a business is disposed of or removed, the return should be reviewed to make certain that a newer asset of the same type has been added to the listing.
- D. The Optional Personal Property Assessment Link (OPPAL) is the online filing system that allows any taxpayer required to file a personal property tax return the ability to do so electronically. The OPPAL system is optional for any taxpayer. See Department of Revenue Administrative Rule [810-4-1-.27](#) for additional information.
- E. The department will provide updates from time to time. Valuation resources are available on the department's website at revenue.alabama.gov.
- F. In order to protect the county's property tax lien, jeopardy assessments should be issued against taxpayers who may remove, sell, or dispose of their property prior to October 1. Advertisements of sales of any personal property as a closing out sale, fire sale, bankruptcy sale, etc. would indicate that the collection of a tax lien might be in jeopardy if not assessed and/or collected immediately. By issuing this type of assessment, the county can collect taxes due instead of waiting until October 1. A tax lien must be certified by the probate judge and a bill may be generated that is immediately due and payable.
- G. Per §40-5-14, Code of Ala. 1975, after January 1 of each year, the tax collector must proceed, without delay, to seize and sell the property of delinquent taxpayers for the payment of their taxes. A 10 days' public notice of the time and place of sale, with a description of the property to be sold, will be given by the tax collector. Personal property will be sold at public outcry to the highest bidder for cash. Personal property, once sold, may not be redeemed by the taxpayer.

However, the delinquent taxpayer may, at any time before the sale, pay the taxes, interest, fees, and expenses, including the collector's fees to avoid the sale of their property.

- H. This manual is provided by the department as a guide in the appraisal of tangible personal property. The Property Tax Division regularly promulgates administrative rules and distributes memoranda to county officials to ensure compliance with the provisions of Title 40, Code of Ala. 1975, as they pertain to ad valorem taxation of tangible personal property.

Quick Reference Guide

Property Type	Economic Life
Add-on equipment attached to vehicles	10
Arcade games	3
ATM Machines	3
Bank vault doors	10
Billboards - including pole, lighting, wiring, etc.	10
Buildings - concrete foundation (not taxed on real)	25
Buildings - Portable	10
Cable Boxes/Remote controls	3
Cable/Satellite co. all other equip.	10
Cell Phones	3
Cell and Radio Towers	20
Cellular Antennae	3
Cell Power Equipment (generators) and supplementary equipment (cabinets, etc.)	10
Commercial Portable Units (on concrete foundation)	25
Commercial Mobile Units	10
Commercial Portable Units (on skid foundation)	10
Computer Equipment and Peripherals	3
Computer Software	3
Construction in Progress	100% of MV - no composite
Copiers/fax machines – non-digital	10
Cranes	20
Digital camera/webcam	3
Digital Copiers	3
Dock levelers	10
Drones	5
DVD Rentals	see manual

Property Type	Economic Life
Dies	3
Dumpsters/Roll-Off Containers	life of the business
Electric vehicle charging stations (portable)	10
Fiberglass storage tanks	10
Forklift	life of the business
Formalwear rental inventory	3
Fuel Tanks	20
Furniture	10
Generator	life of the business
Golf Carts, Electric bikes, and Scooters	5
GPS Equipment	3
Heavy Construction Equipment	8
High-Tech Medical Equipment	5
Household appliances	10
Jigs	3
Labor for installation	life of the asset
Leased inventory - computer equipment	3
Leased inventory - all other leased equipment	life of the business
Leased inventory - Electronic equipment	3
Leased inventory - high tech medical equipment	5
Leased inventory - medical equipment	8
Leased inventory - drink and coffee machines (not vending machines)	10
Leased inventory - drink coolers (ex. School dairy coolers)	10
Licenses (software)	not taxable
Manufacturing tooling	3
Molds	3
Oil and Gas wells and equipment	5

Property Type	Economic Life
Permanent Trailer Tags	see annual guide - no adjustments to MV
Phone systems - analog	10
Phone systems - computer driven	3
Point of Sale equipment	3
Radios	10
Scrap or Salvage	1/2 of lowest comp factor for econ life category
Security Systems	5
Signs	10
Solar Panels	20
Stainless steel tanks (250 to 13,000 gal)	15
Stainless steel tanks (over 13,000 gal)	20
Stainless steel tanks (up to 250 gal)	10
Tanks(Small Vertical Cryogenic to Store Liquid Oxygen, Argon, Nitrogen 250 to 13,000 Gallons)	15
Tanks(Gas and Large Bulk Storage)	20
Tanks(Small Propane that are used for grills, etc.)	10
Tanks(Small tanks made of fiberglass, etc. that are not, propane, and bulk storage)	Life of business
Toys (daycare)	5
Training Cost	Not Taxable
Touch-screen soda fountains	5
Trash containers - residential type	5
Vehicle Add-on Equipment	10
Vehicles used off road not tagged	10
Vending machines	5
Wages	Not Taxable
Warranties	Not Taxable
Wood Pallets	5

Real and Personal Property Guide

The use of a questionable unit of machinery, equipment, or structure will determine its classification as Real or Personal Property. If the unit is directly used for manufacture or a process of manufacture, it is to be considered Personal Property. If the unit is a land or building improvement, it is to be considered Real Estate.

Land Improvement – Real

Retaining walls, piling and mats for general improvement of site, private roads, walks, paved areas, culverts, bridges, viaducts, subways and tunnels, fencing, reservoirs, dikes, dams, ditches, canals, and drainage.

Fixed river, lake or tidewater wharves and docks.

Permanent standard gauge railroad trackage, bridges, and trestles.

Walls forming storage yards and fire protection dikes.

Note: On-site utility piping - i.e., sanitary and storm sewers, potable water, and fire-prevention lines, gas lines, etc. - are considered on-site improvements and are to be valued with the land.

Buildings – Real

Structural and other improvements to buildings, including their foundations, walls, floors, roof, insulation, stairways, permanent partitions, loading and unloading platforms and canopies, areaways, systems for heating, central AC, ventilating, sanitation, fixed fire protection, lighting, plumbing, and drinking water, building elevators and escalators.

Miscellaneous

Add-on equipment to motor vehicles - Personal

Air conditioning - building air conditioning including thru-wall heat pumps, for comfort of occupants - Real

Air conditioning - window units - Personal

Air conditioning - for special process to maintain controlled temperature and humidity - Personal

Aluminum pot lines - Personal

Anhydrous ammonia tanks and equipment – Personal

Appliances - (owned by the lessor) located in apartments and other rental units, including single family residences - Personal

Ash handling system, pit, and superstructure (see Boilers)

Asphalt mixing plant and equipment (portable) - Personal

Asphalt parking lots - Real

Auto - call and telephone system - Personal

Bank vaults - Real

Bank vault doors - Personal

Bins - permanently affixed for storage - Real

Boilers - for service for building and manufacture with primary use for manufacture - Personal

Boilers - for service of building - Real

Booths for welding - Personal

Bowling alley lanes - Personal

Bucket Elevators - open or enclosed (including casing) - Personal

Building - specially constructed storage, poultry, livestock processing buildings - (not including machinery or equipment) - Real

Bulkheads- making additional land area to be assessed with and as part of the improved land.

Cabling for computer and phone systems - Personal

Car wash equipment including vacuums - Personal

Carpeting, Commercial - (Real or Personal) - The real property assessment includes a finished floor. If carpet is installed over an existing finished floor, then carpeting becomes personal property. If, as in the case of many newer buildings, carpeting has been specified and is the only finished floor, then carpeting is assessed as real property.

Cistern - Real

Coal - handling system (see boilers)

Cold storage - built - in cold storage rooms including refrigeration and related equipment - Real

Control Booth - Personal

Conveyor unit including belts, drives, housing, tower structures, and tunnels - Personal

Coolers - free standing including refrigeration equipment - Personal

Cooling towers - primary use for manufacture - Personal

Cranes - Personal

Crane runways - bolted to or hung on trusses or supported by columns and foundations; located inside or outside of buildings - Real

Dock levelers, bumper, and weather seals - Personal

Drapes - Personal

Dust catchers - Personal

Exit alarms - Personal

Fence - security - Real

Fire alarm system - Personal

Fire walls - masonry - Real

Floors (raised floors), computer room - Personal

Foundations for machinery and equipment - Personal

Fountains - drinking - Real

Garbage disposal - Personal

Gas lines for equipment or processing - Personal

Gasoline tanks - (see tanks)

Grain bins - portable - Personal

Grain drying equipment – Personal

Grain elevators (commercial, industrial), storage, silos, tanks, cupolas, working house, headhouse, milling space - Real

Grain elevator machinery and equipment (commercial, industrial but not limited to legs (inside or outside), conveyors, spouting, hopper scales, man lifts, aeration systems, grain cleaners, grain dryers, mechanical grain dumping equipment, loading, and unloading systems, truck scales, all processing machinery and equipment - Personal

Gravel plant - machinery and equipment - Personal

Greenhouses - benches and heating systems - Personal

Hand rails - Personal

Hoist pits - (see pits)

Irrigation equipment - Personal

Kilns – lumber - drying kiln structure - Real

Kilns - concrete block-drying kiln structure - Real

Kilns - circular down draft (beehive) – Real

Kilns - heating or drying system - Personal

Laundry steam - generating equipment - Personal

Lighting - part of decor package - Personal

Lighting - perimeter and area lighting – Real

Mixer and mixing houses - Personal

Monorail crane runways - Real

Ovens - processing - Personal

Paging systems - Personal

Paneling – Real

Parking lot lights/poles – Real

Piping - process piping above or below ground - Personal

Pits for equipment or processing - Personal

Pneumatic tube systems, and related equipment - Personal

Plumbing fixtures - Real

Pools, swimming (not portable) - Real

Power lines and auxiliary equipment - see wiring

Pumps and motors – Personal

Pump house (including sub - structure) - Real

Racks and shelving (portable or removable) - Personal

Railroad siding - Real

Ready-mix concrete batch plant and equipment - Personal

Refrigeration equipment - see coolers

Roofing - Real

Safe deposit boxes - Personal

Sanitary system - Real

Security alarm system - Personal

Scale houses - Real

Scales - truck or railroad scales including pit - Personal

Scales - dormant scales - Personal

Septic system (price with land) - Real

Service station canopies - Real

Sheds or buildings, portable or on skids, including cell site modular buildings - Personal

Signs – Personal

Silos - farm storage silos - Real

Silo equipment – Personal

Silos - containing a manufacturing process - Personal

Silos - all storage – Real

Spray pond piping and equipment - Primary use classification

Sprinkler system - Real

Stacks - mounted on boilers (see boilers)

Stacks - supported individually and servicing heating boilers - Real

Stacks - servicing personal property units or a process - Personal

Steam electric generating plant equipment – Personal

Stone crushing plant - equipment - Personal

Storage bins, portable - Personal

Storage facilities - permanent of masonry or wood - Real

Storage vaults - Real

Storage vault doors - Personal

Substation buildings - Real

Tanks - bulk storage (large capacity water and fuels) above or below ground except as below - Real

Tanks - welded steel pressure tanks, (i.e., propane, butane, and natural gas storage) - Personal

Tanks - fuel tanks at service stations - Personal

Towers - cellular, radio broadcasting, and television - Personal

Transformers – Personal

Tunnels - Real

Tunnels - waste heat or processing - Personal

Unit heaters - non-portable - Real

Unit heaters - portable - Personal

Unloader runway - Real

Vehicle charging stations (hardwired) – Real

Vehicle charging stations (portable, plug in) - Personal

Ventilating - Real

Ventilating system for manufacturing equipment - Personal

Walls - partitions, portable - Personal

Water lines - for process above or below ground - Personal

Water pumping station - building and structure - Real

Water pumps and motors - Personal

Water treating and softening plant building and structure - Real

Well pumps, casing, motors, and equipment - Personal

Wiring, power wiring for machinery, and equipment - Personal