

Notice of Rulemaking Hearing
Tennessee State Board of Equalization

There will be a hearing before the Tennessee State Board of Equalization to consider the amendment of rules pursuant to Tenn. Code Ann. §§67-1-305. The hearing will be conducted in the manner prescribed by the Uniform Administrative Procedures Act, Tenn. Code Ann. §4-5-204 and will take place in the 17th floor conference room, James K. Polk State Office Bldg., 505 Deaderick Street, Nashville, Tennessee, at 10:30 a.m. on the 23d day of January, 2006.

Any individuals with disabilities who wish to participate in these proceedings should contact the Board to discuss any auxiliary aids or services needed to facilitate such participation. Such initial contact should be made no less than ten (10) days prior to the scheduled meeting date, to allow time for the Board to determine how it may reasonably provide such aid or service. Initial contact may be made with the Board's ADA Coordinator, Elaine Driver, at Ste. 1400, 505 Deaderick St., Nashville, TN 37243-0261 and tele. no. 615/401-7738.

For a copy of this notice of rulemaking hearing, contact: Kelsie Jones, Ste. 1700, 505 Deaderick St., Nashville, TN 37243-0280, and tele. no. 615/747-5379.

Substance of Proposed Amendment

Chapter 0600-5
Assessment of Commercial and Industrial Tangible Personal Property

Rule 0600-5-.01 Definitions is amended by deleting item (6), substituting the following new items:

- (6) "Original cost" shall be defined as all costs incurred by the original owner to place the item in service, and any additional costs incurred by the original or subsequent owners and against which may be asserted a claim of depreciation.
- (7) "Leased tangible personal property" shall mean tangible personal property leased or rented within the meaning of Tenn. Code Ann. Section 67-4-701 et seq., except that property a consumer of services must obtain from the service provider or an affiliate, shall be considered property of the service provider whether or not it is leased or rented.

Rule 0600-5-.01 Definitions is further amended by adding the following sentence at the end of item (14): "Tangible personal property includes computer software."

Rule 0600-5-.01 Definitions is further amended by appropriately renumbering the remaining items, so that the rule as amended reads as follows:

- (8) "Personal property", as defined by T.C.A. §67-5-501(7), includes every species and character of property which is not classified as real property.
- (9) "Raw material" shall be defined as items of tangible personal property, crude or processed, which are held or maintained by a manufacturer for use through refining, combining, or any other process in the production or fabrication of another item or product.
- (10) "Regular assessment" shall be defined as an assessment made on personal property when the taxpayer has filed a personal property schedule with the assessor for the current year and the assessment is based on the information reported by the taxpayer.
- (11) "Residual value" shall be defined as the minimum standard value of property in use or capable of use.
- (12) "Scrap value" shall be defined as the value of personal property no longer capable of use and for which there is no expectation of repair.
- (13) "Straight line depreciation" for tangible personal property shall be defined as depreciation allocated in equal percentages over the economic life of the property and shall be calculated by dividing 100% by the economic life to achieve a yearly depreciation percentage. Percent good factors, also termed depreciation factors, derived from these yearly depreciation percentages shall be rounded to the nearest whole percent.
- (14) "Supplies" shall be defined as expendable items of tangible personal property which are used or held for use in support of a business activity, including but not limited to office supply stocks, stocks of spare parts for maintenance of machinery and equipment, accessories used in manufacturing processes, printing supplies, and cleaning and maintenance supplies.
- (15) "Tangible personal property", as defined by T.C.A. §67-5-501(12), includes personal property such as goods, chattels, and other articles of value which are capable of manual or physical possession, and certain machinery and equipment, separate and apart from any real property, and whose value is intrinsic to the article itself. Tangible personal property includes computer software.

Rule 0600-5-.05 Audit is amended by adding the following new subsections:

- (3) Audits shall be conducted in accordance with a plan submitted by the assessor of property and approved by the State Board of Equalization.
- (4) Assessors shall maintain confidentiality of taxpayer information as required by Tenn. Code Ann. Section 67-5-402, and disclose this information only pursuant to a written request identifying a basis for disclosure consistent with Section 67-5-402.

Rule 0600-5-.06 Standard Valuation is amended by adding the following sentence at the end of subsection (5): “The assessor shall not fix or increase a forced assessment by use of an arbitrary percentage.”

Rule 0600-5-.07 Nonstandard Valuation is amended by adding the following at the end of subsection (1):

The current owner of used tangible personal property may claim cost to the current owner as the cost to be depreciated under the standard useful lives otherwise provided by law, and the current owner’s year of acquisition will be the vintage year for purposes of depreciation. In such cases the current owner must provide proof that the price or allocated price claimed as the current owner’s cost, reasonably approximates the current value of the used tangible personal property.

so that item (1) as amended reads as follows

(1) Notwithstanding the provisions of Rule 0600-5-.06, above, regarding standard valuation, the assessor shall place a value on the property different from the value indicated by the standard valuation provisions if there is sufficient evidence to warrant a different value and documentation of such evidence is included in the file. The assessor shall consider the level of trade at which the property is found and all other relevant and available evidence in determining a nonstandard value. The current owner of used tangible personal property may claim cost to the current owner as the cost to be depreciated under the standard useful lives otherwise provided by law, and the current owner’s year of acquisition will be the vintage year for purposes of depreciation. In such cases the current owner must provide proof that the price or allocated price claimed as the current owner’s cost, reasonably approximates the current value of the used tangible personal property.

Rule 0600-5-.09 Miscellaneous is amended by changing the title to “Classification and situs” and by substituting the following for the first sentence of subsection (1) (c):

The intent of the owner and, where appropriate, the intent of other parties to a transaction involving the owner. Intent shall be determined objectively, considering business custom and usage as well as the stated intent of the owner or parties.

so that the subsection as amended reads as follows:

- (c) The intent of the owner and, where appropriate, the intent of other parties to a transaction involving the owner. Intent shall be determined objectively, considering business custom and usage as well as the stated intent of the owner or parties. This element will come into focus most frequently where leased premises are involved, although it must occasionally be considered where premises are owner-occupied. If the intent of the owner is to move the item upon relocation of the business, the item is more likely to be considered personal property, provided that such a move would be probable, practical, and cost-effective.

Rule 0600-5-.09 is further amended by adding the following new item:

- (d) The following property shall be presumed to be tangible personal property in the absence of proof to the contrary: i) above ground tanks less than five hundred thousand (500,000) gallon capacity; and ii) billboards not embedded in the ground with concrete and steel.

Authority: Tenn. Code Ann. §67-1-305.

I certify that this is an accurate and complete representation of the intent and scope of rulemaking proposed by the State Board of Equalization.

Kelsie E. Jones, Executive Secretary
State Board of Equalization

Subscribed and sworn to before me this the ____ day of _____, 20 ____.

Notary Public

My commission expires: _____

The notice of rulemaking set out herein was properly filed in the Department of State on the ____ day of _____, 20 ____.

Riley C. Darnell
Secretary of State

By: _____

TANGIBLE PERSONAL PROPERTY SCHEDULE (DUE MARCH 1)

FOR REPORTING
COMMERCIAL AND INDUSTRIAL PERSONAL PROPERTY

IN ACCORDANCE WITH T.C.A. 67-5-903, THIS SCHEDULE MUST BE COMPLETED, SIGNED ON THE REVERSE SIDE, AND FILED WITH THE ASSESSOR OF PROPERTY BY **MARCH 1**. FAILURE TO DO SO WILL RESULT IN A FORCED ASSESSMENT, AND YOU WILL BE SUBJECT TO A PENALTY AS PROVIDED BY STATE LAW.

PROP TYPE DIST MAP NO. GRP CTL MAP PARCEL P/I S/I CITY WARD

BUS. NAME _____

ADDRESS _____

CITY, ST. ZIP _____

ASSESSOR'S USE ONLY

TOTAL THIS SIDE _____ APPR YEAR _____

TOTAL REVERSE SIDE _____ CARD NUM _____

TOTAL ATTACHMENTS _____ NUM OF CARDS _____

TOTAL APPRAISED VALUE _____ PROP TYPE _____

ASSESSMENT RATIO _____ X .30 WARD _____

ASSESSMENT _____ CITY _____

ASMNT TYPE: _____ PARCEL STATUS: _____ SSD1 _____

SCHEDULE FURNISHED _____/_____/_____/ SSD2 _____

SCHEDULE RETURNED _____/_____/_____/ AREA CODE _____

DESK AUDITED BY: _____ DATE _____/_____/_____/

FIELD AUDITED BY: _____ DATE _____/_____/_____/

BUSINESS CODE: _____

UNITS TYPE: _____ NUMBER: _____

APPRAISED \$ PER UNIT _____

PART I. GENERAL DATA (MAKE CHANGES AS NEEDED)

PROPERTY ADDRESS _____ OWNER OF REAL ESTATE _____

TYPE OF BUSINESS _____ BUSINESS OWNER(S) _____

BUSINESS PHONE () _____ CONTACT PERSON _____

BUSINESS LOCATED: OUTSIDE CITY LIMITS STATE SALES TAX NO. _____

(please check one) INSIDE CITY LIMITS (indicate city below) IRS IDENTIFICATION NO. _____

CITY _____ BUSINESS LICENSE NO. _____

IF YOU WERE OUT OF BUSINESS IN THIS COUNTY ON JANUARY 1, PLEASE NOTIFY THE ASSESSOR OF PROPERTY OF THE DATE OUT OF BUSINESS IN ORDER TO AVOID A FORCED ASSESSMENT.

PART II. OWNED PERSONAL PROPERTY

Report all personal property owned by you and used or held for use in your business or profession as of January 1, including items fully depreciated on your accounting records. Do not report inventories of merchandise held for sale or exchange or finished goods in the hands of the manufacturer.

Personal property leased or rented and used in your business must be reported in PART III of this schedule and not in this section. Property on which you wish to report a nonstandard value must be reported in PART IV of this schedule and not in this section.

A separate schedule should be filed for each business location.

List the total original cost to you for each group below by year acquired in the REVISED COST column. If COST ON FILE is printed on the schedule, you need only report new cost totals resulting from acquisition or disposition of property in the REVISED COST column.

ALTERNATIVE REPORTING FOR SMALL ACCOUNTS - If you believe the depreciated value of your property is \$1,000 or less you may use the small accounts certification (reverse side) as an alternative to reporting detail costs below. With this certification, subject to audit, your assessment per this schedule will be set at \$300.

GROUP 1 — FURNITURE, FIXTURES, GENERAL EQUIPMENT, AND ALL OTHER PROPERTY NOT LISTED IN ANOTHER GROUP				GROUP 4 — AIRCRAFT, TOWERS, AND BOATS				GROUP 6 — BILLBOARDS, TANKS, AND PIPELINES			
YEAR	COST ON FILE	REVISED COST	DEPR	YEAR	COST ON FILE	REVISED COST	DEPR	YEAR	COST ON FILE	REVISED COST	DEPR
2004	0	.88		2004	0	.92		2004	0	.94	
2003	0	.75		2003	0	.85		2003	0	.88	
2002	0	.63		2002	0	.77		2002	0	.81	
2001	0	.50		2001	0	.69		2001	0	.75	
2000	0	.38		2000	0	.62		2000	0	.69	
1999	0	.25		1999	0	.54		1999	0	.63	
1998	0	.38		1998	0	.46		1998	0	.56	
1997	0	.25		1997	0	.38		1997	0	.50	
PRIOR	0	.20		1996	0	.31		1996	0	.44	
TOTAL				1995	0	.23		1995	0	.38	
GROUP 2 — COMPUTERS, COPIERS, PERIPHERALS, FAX MACHINES, AND TOOLS				GROUP 5 — MANUFACTURING MACHINERY				GROUP 7 — SCRAP PROPERTY			
YEAR	COST ON FILE	REVISED COST	DEPR	YEAR	COST ON FILE	REVISED COST	DEPR	YEAR	COST ON FILE	REVISED COST	DEPR
2004	0	.67		2004	0	.88		ALL	0	.02	
2003	0	.33		2003	0	.75		GROUP 8 — RAW MATERIALS AND SUPPLIES			
PRIOR	0	.20		2002	0	.63		COST ON FILE		REVISED COST	
TOTAL				2001	0	.50		ORIGINAL COST	0		
GROUP 3 — MOLDS, DIES, AND JIGS				2000	0	.38		GROUP 9 — VEHICLES			
YEAR	COST ON FILE	REVISED COST	DEPR	1999	0	.25		YEAR	COST ON FILE	REVISED COST	DEPR
2004	0	.75		PRIOR	0	.20		2004	0	.80	
2003	0	.50		TOTAL				2003	0	.60	
2002	0	.25		GROUP 10 — CONSTRUCTION IN PROCESS				2002	0	.40	
PRIOR	0	.20		YEAR	COST ON FILE	REVISED COST	DEPR	PRIOR	0	.20	
TOTAL				ALL	0	.15		TOTAL			

RETURN THIS SCHEDULE AND ANY ACCOMPANYING DATA TO:

ASSESSOR OF PROPERTY

APPRAISAL LAST YEAR _____
ASSESSMENT LAST YEAR _____

SIGN THIS SCHEDULE ON THE REVERSE SIDE

