



INTRODUCTION TO PERSONAL PROPERTY

SECTION 2

Business Owner Quiz

The Honest John business owner has difficulty determining what is taxable Personal Property. The business owner contacts the Assessor and asks if the following items are taxable Personal Property. See if you know what is taxable.

	Is it Taxable Personal Property?			
	YES	NO	DEPENDS	I DUNNO
Area Rugs				
Artwork				
Boat House				
Construction Work In Progress (CWIP)				
Counters & Cabinets (Built-ins)				
Dies & Molds				
Equipment used at home				
Floor Covering				
Franchise Fee				
Goodwill				
Hotel				
Hotel F & F				
Idle Equipment				
Jewelry				
Law books				
Leasehold improvements i.e. shelving, built-ins, partitions, exhaust fans				
Light Fixtures				
Patents				
Rental DVDs				
Repairs				
Sales tax (on equipment)				
Shipping Charges				
Short-term Rental Equipment i.e. 3 days				
Software				
Spare Parts				
Supplies				
Tools				
Transmission Towers				
Underground Cables				
Underground Storage Tanks				

Acronym Questions

1) LHI _____

2) MV _____

3) RCW _____

4) OP _____

5) AV _____

6) WAC _____

7) M & E _____

8) AGO _____

9) PTA _____

10) CIP _____

11) BOE _____

12) F & F _____

Introduction to Personal Property Fundamentals Exercise

1. What do the following dates represent?
 - A. December 31
 - B. January 1
 - C. April 30
 - D. May 1
 - E. July 1

2. When is the lien perfected on personal property?

3. If personal property is moved from one county to another between January 1st and July 1st where is it assessed?

4. Everything is taxable excepting _____
Where is the statutory authority for this? _____

5. Match the following to their appropriate chapter titles:

RCW 84.04:	a. Taxable Situs
RCW 84.36:	b. Lien of Taxes
RCW 84.40:	c. Definitions
RCW 84.44:	d. Exemptions
RCW 84.60:	e. Listing of Property

6. Can extensions be granted to allow taxpayers additional time to file after April 30th?

Fixed Asset Schedule Exercise

DESCRIPTION	YEAR ACQUIRED	PURCHASE PRICE	TABLE	% GOOD	ASSESSED VALUE
Rock Crusher (Immobile)	2013	\$ 155,000			
Platform Scale	2015	\$ 26,500			
Coffee Mfg Industrial Roaster	2016	\$ 46,800			
Walk-in Freezer	2008	\$ 16,500			
Cardboard Crusher (Baler)	2013	\$ 7,500			
Grocery Shelving	2009	\$ 65,300			
Cash Safe	2014	\$ 9,500			
Bank ATM	2004	\$ 40,400			
ATM-Installation expense	2004	\$ 2,500			
Warehouse Racking	2016	\$ 2,600			
					TOTAL:

Fixed Asset Schedule Exercise

Valuation Date: 1/1/16

DESCRIPTION	YEAR ACQUIRED	PURCHASE PRICE	TABLE	% GOOD	ASSESSED VALUE
Portable Rock-Crusher (Const.)	2017	\$ 155,000			
Tigercat L870 Feller Buncher	2019	\$ 379,500			
JD 2030 Tractor (Used)	2010	\$ 12,000			
Electric Typewriter	2003	\$ 450			
Dental Equipment	2009	\$ 31,500			
Postage (Mailing) Machine	2020	\$ 850			
Shoe Manufacturing Equip	2021	\$ 2,450			
Grocery Store Shelving	1999	\$ 8,000			
Epson Printer	2004	\$ 348			
Gateway Computer	2011	\$ 1,600			
Toyota Forklift (Used - for shop)	2005	\$ 8,800			
Shop Welder	2012	\$ 1,600			
Office Desk and Chair	1997	\$ 450			
			TOTAL:		

Capital Improvement Exercise

- 1) A 2010 Cat 980G Wheel Loader purchased 'used' in 2013 for \$234,250 and had the Power Train rebuilt in 2017.
- 2) A 2000 Madill 071 Yarder purchased new in 2000 for \$550,000. The Engine was rebuilt in 2004, and a 'New' Engine was installed in 2010. Then the 'New' Engine was rebuilt in 2017.

Capital Improvement Exercise

Valuation Date: 1/1/18

DESCRIPTION	YEAR ACQUIRED	PURCHASE PRICE	TABLE	% GOOD	ASSESSED VALUE
2010 Cat 980G Wheel Loader (Used)	2013				
Power Train Rebuild on 2010 980G Wheel Loder Completed in 2017 for \$123,363	2017				
Power Train Rebuild on 2010 980G Wheel Loder Completed in 2017 for \$123,363	2010				
			TOTAL:		

Capital Improvement Exercise

Valuation Date: 1/1/18

DESCRIPTION	YEAR ACQUIRED	PURCHASE PRICE	TABLE	% GOOD	ASSESSED VALUE
Madill 071 Yarder	2000				
New Engine 2010 for \$18,964	2010				
New Engine 2000 for \$18,964	2000				
Engine Rebuild 2017 for \$13,217	2017				
Engine Rebuild 2017 for \$13,217	2010				
			TOTAL:		

Exemption Questions

- 1) What qualifies a Farmer for the Exemption of Farm Machinery and Equipment?
 - a. Submits the Exemption of Farm Machinery and Equipment before April 30th each year with the personal property listing.
 - b. Grows, raises, or produces upon the person's own land or upon the land in which the person has a present right of possession, any agricultural product to be sold.
 - c. Signs under penalty or perjury.
 - d. All of the above.

- 2) Who qualifies as the Head of Family personal property exemption?
 - a. Residence as well as none residence of the state of Washington with equipment within a county.
 - b. Individuals and family members that are in a partnership.
 - c. Any citizen of the United States, over the age of sixty-five years, who has resided in the state of Washington continuously for 1 year.
 - d. Natural persons (sole proprietor).

- 3) Is this statement true?

A husband operates a catering business as a limited liability company (LLC) out of the family home. The wife also operates a real estate business as a sole proprietor. The husband is entitled to the Head of Family Exemption for business property held by the LLC since he works out of the family home.

- 4) What equipment qualifies for the Exemption of Farm Machinery and Equipment?
 - a. Equipment used to produce agricultural products for one's own consumption.
 - b. Equipment used in raising timber.
 - c. Equipment used by an active farmer.
 - d. Brother-in-laws equipment used by farmer.

Title Plant Questions

- 1) Where does the county personal property appraiser obtain the real property parcel count in order to assess a personal property listing with a title plant?
- 2) These are the parcels in your county for 2024 for 2025 tax year. What is the assessed value of the County Title Company's title plant?

Clark	170,001	x
Cowlitz	46,180	x
Grant	42,841	x
Grays Harbor	50,236	x
Kitsap	111,702	x
Pierce	317,388	x
Stevens	39,848	x
Thurston	120,022	x
Yakima	88,406	x

Leased Equipment Exercise

Lease #1

You receive a personal property listing from McNamara's Excavating. On Mr. McNamara's depreciation schedule that was submitted with his personal property listing is an excavator with an asset cost of \$20,577. Mr. McNamara reported the excavator at a cost of \$19,000.

You inquire as to why the difference in cost. He tells you that the excavator was leased and the lease amount was \$19,000.

You get a copy of the lease contract and find the original cost was:

Excavator	\$25,000
Less rental for 6 months	<u>- 6,000</u>
	\$19,000

The lease agreement says lessee will purchase the property at the end of the lease.

The lease payment schedule is for four years. Year one thru four is \$4,750 plus sales tax of \$394.25 for \$5144.25 per year. Over the four years, the total lease amount equals \$20,577.

Mr. McNamara rented the excavator for a period of six months and then decided to lease it for four years.

- ***Was this an Operating lease or a Capital lease?***
- ***What cost would you use?***

Lease #2

Farmer Jones filed his personal property listing for 1/1/2023. You notice a 24' chisel plow listed as a 2019 purchase for \$4,953.09. You know from past experience that the cost is low for this piece of machinery. You question Mr. Jones regarding the purchase price. He says "I leased the chisel plow and then purchased it at the end of the lease." Mr. Jones gives you a copy of the lease contract with the invoice.

The lease document is dated 10/1/2015.

The total cost of the 24' chisel plow is \$15,500

The total lease payments were \$19,812.36

Sales tax included in the payments was \$1,382.24

- ***What cost are you going to use for the 2025 Assessment Year?***
- ***What acquisition year are you going to use?***

Lease #3

You receive a personal property listing from Computer Associates. With the personal property listing is a copy of the Federal Depreciation Schedule. Computer Associates is in the business of selling and leasing computers.

You notice that they have crossed off six computers that were on their depreciation schedule that were purchased in 2019. You inquire why? The owner states “the six computers are leased to Sunnyvale Hospital and the hospital is a nonprofit. You get a copy of the lease contract and find in the contract that at the end of the lease the hospital is to return the computers to Computer Associates and the lease agreement says that the hospital is not liable for any personal property taxes.

You contact DOR and find out that the hospital has an exemption for personal property owned by the hospital.

- ***Do you add the six computers to Computer Associates listing or do you wait until the end of the lease to add them? Why / why not?***
- ***Is this an operating lease or a capital lease?***

Lease #4

You have received a personal property listing from Ed’s Truck & Implement. While you are talking with the Ed on the phone, you find out he is leasing a lawn mower to Al’s Lawn Service and find out Ed is not reporting any leased property.

You get a copy of the contract and find the lease is for one year and at the end of the lease the lawn mower is to be returned to Ed’s Truck & Implement.

The cost of the lawn mower is \$5,000 on 11/10/2017, no sales tax was paid because it was held for resale.

The lease to Al’s Lawn Service started on 5/1/2018 and ends on 6/1/2025.

- ***Who do you assess for the leased lawn mower?***
- ***Is this an operating lease or a capital lease?***
- ***Which assessment year do you start valuing the lawn mower?***