

**RULES
OF
TENNESSEE STATE BOARD OF EQUALIZATION**

**CHAPTER 0600³/₄5
ASSESSMENT OF COMMERCIAL AND INDUSTRIAL
TANGIBLE PERSONAL PROPERTY**

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0600-5-.01 DEFINITIONS.

- (1) "Adjusted assessment" shall be defined as any assessment made by the assessor on personal property at a value different from the value reported by the taxpayer or based on information different from the information reported by the taxpayer for the current year.
- (2) "Commercial and industrial tangible personal property", as defined by *T.C.A. §67-5-501(2)*, includes personal property such as goods, chattels, and other articles of value which are capable of manual or physical possession, and machinery and equipment which is:
 - (a) used essentially and principally for the commercial or industrial purposes or processes for which it is intended; and
 - (b) if affixed or attached to real property, can be detached without material injury to such real property.
- (3) "Construction - in - process tangible personal property (CIP)" shall be defined as tangible personal property which as of the assessment date is undergoing construction, assembly or installation prior to being committed to use.
- (4) "Fair market value" shall be defined in accordance with *T.C.A. §67³/₄5³/₄601*.
- (5) "Forced assessment" shall be defined as any assessment made on personal property when the taxpayer has failed to file a personal property schedule with the assessor for the current year, whether or not the assessment is the same as the previous year.
- (6) "Original cost" shall be defined as the gross capitalized cost before depreciation.
- (7) "Personal property", as defined by *T.C.A. §67³/₄5³/₄501(7)*, includes every species and character of property which is not classified as real property.
- (8) "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.
- (9) "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.

- (10) "Residual value" shall be defined as the minimum standard value of property in use or capable of use.
- (11) "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.
- (12) "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.
- (13) "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.
- (14) "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.

Authority: *T.C.A. §67-5-902. Administrative History: Original rule filed August 29, 1988; effective October 13, 1988. Amendment filed August 17, 1994; effective October 31, 1994.*

0600-5-.02 DISCOVERY.

- (1) As a minimum, the following sources shall be used in order to discover potential commercial and industrial personal property taxpayers:
 - (a) either a business license listing (which may be obtained from the county clerk) or a sales tax registrant listing (which may be obtained from the Sales and Use Tax Division of the Tennessee Department of Revenue);
 - (b) the commercial and industrial real property assessment roll;
 - (c) personal knowledge.
- (2) The following additional sources are recommended for use whenever possible for the discovery of businesses:
 - (a) field visits;
 - (b) telephone book;
 - (c) new construction;
 - (d) media news and advertising;
 - (e) city directory;
 - (f) local business directory;
 - (g) chamber of commerce;

- (h) building permits and electrical inspections;
- (i) commercial vehicle license plates;
- (j) uniform commercial code filings;
- (k) any other pertinent sources.

Authority: T.C.A. §67-5-902. **Administrative History:** Original rule filed August 29, 1988; effective October 13, 1988.

0600-5-.03 CONTROL RECORDS.

- (1) An appropriate personal property control record (such as a control card) shall exist and be maintained for each personal property account.
- (2) Upon discovery of a new business, a control record shall be created for that business.
- (3) When a business ceases to exist, the control record for that business shall be removed from the active file and placed in an inactive file.
- (4) As a minimum, the control record for each account shall provide for the following:
 - (a) business name;
 - (b) property location;
 - (c) mailing address;
 - (d) type of business;
 - (e) property identifier, to be linked to the property identifier of the real property where the personal property is located, when such can be determined;
 - (f) tax year;
 - (g) dates the schedule was furnished, returned, and desk audited;
 - (h) date of any field audit;
 - (i) assessment ratio (30% for commercial and industrial tangible personal property);
 - (j) assessment;
 - (k) type of assessment (such as R = regular, F = forced, A = adjusted).

Authority: T.C.A. §67-5-902. **Administrative History:** Original rule filed August 29, 1988; effective October 13, 1988.

0600-5-.04 REPORTING.

- (1) The tangible personal property schedule adopted in Rule 0600-5-.11 below shall be furnished annually by the assessor to every potential commercial and industrial personal property taxpayer on or before February 1. A substantially equivalent form may be used, provided that such form is approved by the Division of Property Assessments.
- (2) The taxpayer shall annually be required to complete, sign, and file the tangible personal property schedule with the assessor on or before March 1. Failure to file the schedule will subject the taxpayer to a penalty as provided by state law.
- (3) In accordance with T.C.A., Title 67, the following types of tangible personal property are not to be reported or assessed;
 - (a) growing crops;
 - (b) the direct product of the soil in the hands of the producer or his immediate vendee;
 - (c) finished goods in the hands of the manufacturer;
 - (d) inventories of merchandise held for sale or exchange;
 - (e) property in transit through the state to a final destination outside the state;
 - (f) property imported from outside the United States, held in a foreign trade zone or subzone, and then exported to a location outside Tennessee.

Authority: T.C.A. §67-5-902. **Administrative History:** Original rule filed August 29, 1988; effective October 13, 1988.

0600-5-.05 AUDIT.

- (1) Desk audits shall be performed on all schedules returned. Items to be reviewed shall include:
 - (a) depreciation;
 - (b) math;
 - (c) any evidence provided by the taxpayer regarding value;
 - (d) comparable accounts;
 - (e) previous year's assessment.
- (2) Systematic field audits of individual accounts shall be performed as deemed necessary by the assessor of property. In addition, random field audits shall be performed periodically. Nonreporting accounts, new accounts, major accounts, accounts with significant changes, and accounts suspected of improperly reporting may be emphasized. The purpose of the field audit shall be to determine if the taxpayer has reported properly or, if the taxpayer has not reported, to gather data for a forced assessment.

Authority: T.C.A. §67-5-902. **Administrative History:** Original rule filed August 29, 1988; effective October 13, 1988.

0600-5-.06 STANDARD VALUATION.

- (1) In the absence of evidence to the contrary, the fair market value of commercial and industrial tangible personal property, except raw materials, supplies, and scrap property, shall be presumed to be either the original cost to the taxpayer less straight line depreciation or the residual value, whichever is greater. The grouping of personal property and the depreciation allowed for each group shall be consistent with the schedule prescribed in Rule 0600-5-.11 below, and shall be based on a reasonable economic life for that group of items.
- (2) The fair market value of raw materials and supplies shall be presumed to be their original cost as determined by the "first-in-first-out" (FIFO) method of accounting. in the absence of evidence to the contrary.
- (3) The residual value of personal property shall be presumed to be twenty percent (20%) of original cost, in the absence of evidence to the contrary.
- (4) The scrap value of personal property shall be presumed to be two percent (2%) of original cost, in the absence of evidence to the contrary.
- (5) In making forced assessments on non-reporting accounts, the following factors shall be considered:
 - (a) previous data on file for that account;
 - (b) data from comparable accounts;
 - (c) data collected during any field visits.
- (6) Any tangible personal property which the taxpayer claims or will claim as CIP for federal income tax purposes based on the status of the property on the assessment date for property taxes may be reported by the taxpayer as CIP for property tax purposes. The value of CIP shall be presumed to be fifteen percent (15%) of all direct and indirect costs incurred and claimed by the taxpayer for federal income tax purposes as of the assessment date. The value of qualified pollution control equipment, whether or not reportable as CIP, shall be governed by *T.C.A. §67-5-04*.

Authority: *T.C.A. §§4-3-5103, 67-5-902 and 67-5-903. Administrative History: Original rule filed August 29, 1988; effective October 13, 1988. Amendment filed May 31, 1991; effective July 15, 1991. Amendment filed August 17, 1994; effective October 31, 1994.*

0600-5-.07 NONSTANDARD VALUATION.

- (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.
- (2) The assessor shall report in writing to the Division of Property Assessments all instances where a nonstandard value is placed on the property or requested by a taxpayer. The Division shall consider such reports in making recommendations to the State Board of Equalization regarding any needed revisions to these rules. The assessor may request the assistance of the Division of Property Assessments in determining a nonstandard value.

Authority: *T.C.A. §67-5-902. Administrative History: Original rule filed August 29, 1988; effective October 13, 1988.*

0600-5-.08 NOTIFICATION.

- (1) At least ten calendar days before the local board of equalization commences its annual session, the assessor shall notify the taxpayer of any change in the assessment or classification of the taxpayer's personal property. Such notification of personal property assessment shall be sent to the taxpayer in the manner prescribed by law when:
 - (a) an assessment is made on a new business;
 - (b) a change is made in an assessment;
 - (c) a forced or adjusted assessment is made.
- (2) A record of such notification shall be retained by the assessor for a period of not less than two years.

Authority: T.C.A. §67-5-902. **Administrative History:** Original rule filed August 29, 1988; effective October 13, 1988.

0600-5-.09 MISCELLANEOUS.

- (1) In determining whether property should be assessed as real or personal, the following factors should be considered:
 - (a) The apparent movability or permanency of the item in its location or attachment to the land or structure. The cost of moving the item and the amount of damage that will be incurred to the item, the land, or the improvement if the item is removed should be weighed against the value of the item of property that is being considered. If the value of the item exceeds the moving cost and the amount of damage incurred, it is more likely to be considered personal property.
 - (b) The primary purpose which the item serves. This factor would most generally concern an item that forms a part, or segment, of a series of functions in a manufacturing and/or processing system. If the item is more or less special purpose in nature and its practical use would not enhance the total property if the present or a similar manufacturing processing system were not there, it is more likely to be considered personal property.
 - (c) The stated intent of the owner. 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.
- (2) In determining the proper taxable location, or situs, of personal property, the following factors are to be considered:
 - (a) physical location;
 - (b) permanency of the location;
 - (c) home base of the property;
 - (d) domicile of the owner;
 - (e) location as of January 1.

The physical location is of prime importance in determining the taxable situs of property that is rarely

or infrequently moved. For property that changes location from time to time, the relative permanency of location in a particular place becomes important. If the property is moved with such frequency that it has no more or less permanent location, the home base of the property (such as where it is garaged, sent for repairs, or stored when not in use) is the most significant factor. If the home base cannot be defined, then the domicile of the owner becomes the primary factor. Although the location as of January 1 is a factor to be considered, often it is of nominal importance in determining situs.

Authority: *T.C.A. §67-5-902. Administrative History: Original rule filed August 29, 1988; effective October 13, 1988.*

0600-5-.10 ENFORCEMENT.

- (1) Should it be determined by the Division of Property Assessments that a jurisdiction is not in compliance with these rules, the Division shall make a report of such noncompliance in writing to the State Board of Equalization for the appropriate action.
- (2) In determining the degree of compliance with these rules, the Division of Property Assessments may review the records and procedures of the assessor and may perform any field audits of taxpayer returns deemed relevant to the review.

Authority: *T.C.A. §67-5-902. Administrative History: Original rule filed August 29, 1988; effective October 13, 1988.*

0600-5-.11 REPORTING SCHEDULE.

The following schedule or a facsimile shall be used by owners of commercial and industrial tangible personal property to report ownership of such property to the assessor pursuant to *T.C.A. §67~~3~~⁴5~~3~~⁴903*. A substantially equivalent form may be used with prior approval of the director of the state Division of Property Assessments.

ASSESSMENT OF COMMERCIAL AND INDUSTRIAL
TANGIBLE PERSONAL PROPERTY
(Rule 0600-5.11, continued)

CHAPTER 0600-5

TANGIBLE PERSONAL PROPERTY SCHEDULE
FOR REPORTING
COMMERCIAL AND INDUSTRIAL PERSONAL PROPERTY

IN ACCORDANCE WITH T.C.A. §7-6-803, 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 _____ DEP _____ CIL MAP _____ PARCEL NO _____ P# _____ A# _____ CITY _____ HANG _____

OWN NAME _____
CITY _____
STATE _____

ASSESSOR'S USE ONLY

TOTAL THIS SIDE _____ APPR YEAR _____
TOTAL REVERSE SIDE _____ CARD NUM _____
TOTAL ATTACHMENTS _____ SER OF CARDS _____
TOTAL APPRAISED VALUE _____ PROP TYPE _____
ASSESSMENT RATIO _____ E 30 _____
ASSESSMENT _____
ASMT TYPE _____ PARCEL STATUS _____
SCHEDULE FURNISHED _____ CITY _____
SCHEDULE RETURNED _____ SER _____
DATE AUDITED BY _____ DATE _____ AREA CODE _____
FIELD AUDITED BY _____ DATE _____
BUSINESS CODE _____
UNITS TYPE _____ NUMBER _____
APPROVED \$ PER UNIT _____

PART I. GENERAL DATA (MAKE CHANGES AS NEEDED)

PROPERTY ADDRESS _____ OWNER OF REAL ESTATE _____
TYPE OF BUSINESS _____ BUSINESS OWNERS _____
BUSINESS PHONE () _____ CONTACT PERSON _____
BUSINESS LOCATED: OUTSIDE CITY LIMITS ☐ STATE SALES TAX NO. _____
INSIDE CITY LIMITS ☐ IRS IDENTIFICATION NO. _____
CITY _____ (Indicate city below) BUSINESS LICENSE NO. _____

IF YOU WERE OUT OF BUSINESS ON JANUARY 1, PLEASE NOTIFY THE ASSESSOR OF PROPERTY BY 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.

REVERSE SIDE OF THIS FORM MUST BE COMPLETED IF APPLICABLE

GROUP 1 - FURNITURE, FIXTURES, GENERAL EQUIPMENT, AND ALL OTHER PROPERTY NOT LISTED IN ANOTHER GROUP				GROUP 4 - AIRCRAFT, TOWERS, AND BOATS				GROUP 5 - BELBOARDS, TANKS, AND PIPELINES			
YEAR	COST ON FILE	REVISED COST	DEPR	YEAR	COST ON FILE	REVISED COST	DEPR	YEAR	COST ON FILE	REVISED COST	DEPR
YR 1			.88	YR 1			.92	YR 1			.94
YR 2			.75	YR 2			.85	YR 2			.88
YR 3			.63	YR 3			.77	YR 3			.81
YR 4			.50	YR 4			.69	YR 4			.75
YR 5			.38	YR 5			.62	YR 5			.69
YR 6			.25	YR 6			.54	YR 6			.63
PRIOR			.20	YR 7			.46	YR 7			.58
TOTAL				YR 8			.38	YR 8			.50
				YR 9			.31	YR 9			.44
				YR 10			.23	YR 10			.38
				PRIOR			.20	YR 11			.31
				TOTAL				YR 12			.25
								PRIOR			.20
								TOTAL			

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
YR 1			.67	YR 1			.88	ALL			.02
YR 2			.33	YR 2			.75				
PRIOR			.20	YR 3			.63				
TOTAL				YR 4			.50				
				YR 5			.38				
				YR 6			.25				
				PRIOR			.20				
				TOTAL							

GROUP 3 - MOLDS, DIES, AND JIGS				GROUP 8 - RAW MATERIALS AND SUPPLIES				GROUP 9 - VEHICLES			
YEAR	COST ON FILE	REVISED COST	DEPR	ORIGINAL COST		REVISED COST		YEAR	COST ON FILE	REVISED COST	DEPR
YR 1			.75					YR 1			.80
YR 2			.50					YR 2			.60
YR 3			.25					YR 3			.40
PRIOR			.20					PRIOR			.20
TOTAL								TOTAL			

GROUP 10 - CONSTRUCTION IN PROCESS			
YEAR	COST ON FILE	REVISED COST	DEPR
ALL			.15

RETURN THIS SCHEDULE AND ANY ACCOMPANYING DATA TO _____

APPRASAL LAST YEAR _____
ASSESSMENT LAST YEAR _____

SIGN THIS SCHEDULE ON THE REVERSE SIDE

(1-0000-0000)

Authority: T.C.A. §§4-3-5103, 67-5-902 and 67-5-903. **Administrative History:** Original rule filed August 29, 1988; effective October 13, 1988. Amendment filed May 31, 1991; effective July 15, 1991. Amendment filed August 17, 1994; effective October 31, 1994.

CHAPTER 0600-5

[illegible]

I certify that the information contained herein, including any accompanying schedules or data, is true, correct, and complete, to the best of my knowledge and belief.

_____ TITLE _____ DATE _____

These rules shall take effect on January 1, 1989.

Authority: T.C.A. §§4-3-5103 and 67-1-305. **Administrative History:** Original rule filed August 29, 1988; effective October 13, 1988.