



Shelby County Appraisal District

**BUSINESS PERSONAL
PROPERTY
APPRAISAL MANUAL**

Classification of Personal Property

Business personal property is typically identified as all property used in connection with the production of income that has not been classified as real property. Frequently, it is difficult to draw a fine line between what is treated as real property and what is treated as personal property for property tax purposes. In many cases, the appraiser must rely on the owner's statement of intent items that may appear to be permanently attached to real property may not be appraised as real property and should be classified as personal property.

Examples of items that may appear to be real property but should be considered personal property in certain situations are:

- Conveyors
- Boilers and furnaces
- Shelving and displays
- Special climate control (heating and air conditioning systems associated with particular equipment or product)
- Leasehold improvement (owned by lessee)

The appraiser may have to determine if the property is affixed to the real property.

Generally, business personal property includes, but is not limited to, the following categories:

- 1) Inventories
 - a) Raw materials
 - b) Good in process of manufacturing
 - c) Finished goods
 - d) Supplies
 - e) Packaging materials
 - f) Fuels
 - g) Spare parts
- 2) Depreciable Assets (Fixed Assets)
 - a) Machinery and equipment
 - b) Office furniture, fixtures and equipment
 - c) Billboards
 - d) Business aircraft
 - e) Motor vehicles

Confidential Renditions

Business owners are to render each year giving ownership and value information about their business as of January 1st, or September 1st if opted.

The appraisal district mails a rendition form each year to the owners and also posts the form on their website. Owners are required to render by April 15th. With written request, an extension will be granted to May 15th. The information is held confidential and cannot be shared with anyone. If anyone makes a false statement on the form, could be found guilty of a Class A misdemeanor or a state jail felony under Section 37.10 Penal Code. Late renditions or no

renditions are subject to a 10% penalty of total taxes due. These penalties are collected by the tax collector.

Rendition Processing

The appraisal district uses the information provided on the rendition form to update account information and reappraise business personal property as needed each year. Once the information is entered, the appraiser begins to evaluate the information and compare it to similar businesses in the county for accuracy and market value assessment. The goal is to maintain uniformity and equity with comparable businesses as prescribed by law.

Cost Calculations

Inventory – 100% of cost reflected on the business records as of the appraisal date of January 1st or September 1st if opted.

Furniture, Fixtures & Equipment – Cost and year acquired calculate the percent depreciation for each asset. Separate life spans are used based on the type of asset to determine the depreciation percent and the final market value.

The appraisal district is required to value property at market value and by using mass appraisal techniques. Cost rendered data is used to create a price per square foot that can be used for appraising similar businesses throughout the county. Standard Industrial Codes (SIC codes) assist in uniform appraisals so businesses remain comparable.

Appraisal Process

Discovery

Basic sources for the discovery of personal property and ownership are as follows:

1. Previous assessment records
2. Physical inspections
3. Business personal property rendition
4. Real property field appraisers reports
5. State sales tax permits
6. Chamber of commerce membership
7. New business listing from news media; i.e. newspaper, shelbycountytoday.com
8. Assumed name certificates from countyrecords.com or county clerks' office
9. Telephone directories

Once the property has been discovered and the owner identified, the appraiser should inspect the property and establish an account or record for the owner or business. The appraiser should speak to the owner or manager of the property, explain the purpose of the visit and obtain the necessary data. Information that should be obtained includes the following:

1. Name of business i.e. doing business as, assumed name
2. Type of business
3. Type of ownership

4. Situs of the property and mailing address of the business
5. Name and address of the owner(s)
6. Telephone number
7. Beginning date for the business
8. A listing of personal property belonging to the owner including description, age and general condition
9. For leased equipment; the name and address of the owner/lessor, a description of the equipment, age and general condition
10. For loaned or consigned items i.e. vending and amusement machines, the name and address of the owner, description of the equipment, list price and cost if available
11. A list of personal property owned by the business but located at another site within the county including description of property and location

Valuation Process

Mail business personal property renditions to taxpayers. The form will contain instructions on completion requirements and filing deadlines. Penalties should be assessed when a rendition is not provided by the taxpayer. Upon receiving the business personal property rendition from a taxpayer, the following steps should be taken:

1. Review the rendition for completeness and resolve any discrepancies with the owner.
2. Compare the current and prior year renditions to insure the property has not been deleted or replaced with other property.
3. For new accounts, compare rendition to similar business rendition for completeness and resolve any discrepancies with the owner.

Components used in the valuation process:

1. Appreciated property – some tangible personal property may not suffer any depreciation and could appreciate in value. (i.e. objects of art)
2. Depreciation – depreciation based on age is critical to the final estimate of value. The appraiser should make additional adjustments for unusual physical depreciation of property if discovered upon inspection. The depreciation schedule used is based off of the most current schedule from the state comptroller. (see attached depreciation schedule)
3. Economic life and useful or physical life – The appraiser should estimate a reasonable economic life for each type of property. The state comptroller has a list of general types of equipment and their estimated life which may be used as a guideline.
4. Just Valuation – the appraiser shall take into consideration the cash/market value of the property, the highest and best use and the condition of the property.

For accuracy, the appraiser should compare the property discovered with information reported by the owner. When a business personal property rendition has not been filed, the appraiser should do the following:

1. Field inspection – tour the facility to list all personal property located on site.
2. Obtain a reasonable estimate of property using cost manuals, comparable business' property values and internet sites such as machinetrader.com, aerotrader.com, sites where the property is listed for sale.