



STATE BOARD OF EQUALIZATION

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No. 79/59

March 20, 1979

TO COUNTY ASSESSORS:

EFFECT OF PROPOSITION 8 UPON
MACHINERY AND EQUIPMENT VALUATION

For the 1979-80 and subsequent tax years, the taxable value of machinery and equipment classified as improvements should be the lower of either the full cash value base or the full value.

Unit of Appraisal

The unit of appraisal is the total of all property that qualifies as an improvement and is reportable on Schedule "C" of the business property statement. This would include the improvement portion of the machinery and equipment category; the office furniture and equipment category; the tools, molds, dies, and jigs category; and the "other" equipment category. The unit would also consist of fixed machinery and equipment reported as construction in progress. The unit would also include fixed equipment leased to and assessed to the taxpayer. The equipment of an industrial plant located on two or more adjacent parcels would all be considered a unit for estimating the full cash value base and the full value.

Fixtures reported on Schedule "B" of the business property statement will be considered as part of either the land and structure unit or the fixed machinery and equipment unit depending upon the category the fixtures are most compatible with.

Taxable Values

The taxable value calculations may be made as follows:

- (1) Apply the full cash value base factors to the reported acquisition costs of each property category containing improvements. Then multiply each category's total by its respective improvement percentage. The combined totals of the improvement portions will be the full cash value base.
- (2) Where the cost approach is used in estimating the full value, you should apply the full value factors (combined trend/percent good factors) to the reported acquisition costs of each property category containing improvements. Again multiply each category's total by its respective improvement percentage. The combined results yield the full value. Of course, you may estimate the full value by use of the income or other acceptable approaches. Additional obsolescence not accounted for in the full value factors should be considered in determining the full value.

March 20, 1979

After establishing the full cash value base and the full value of the unit, the lower of the two is the taxable value for enrollment.

File Identification

Enrollment of the full value creates a new base year value. Thus, it will be necessary each year to identify and review each taxpayer's file containing machinery and equipment classified as improvements in order to determine the proper base year value that was established the previous year.

Example

The enclosed three sheets reflect the calculation of the full cash value base factors, the full value factors, and their application to reported costs on Schedule "C". The example only covers machinery and equipment, but, as indicated earlier, if the other categories contained improvements, they would also be considered in determining the total unit value, together with the applicable fixtures.

Change to Assessors' Letter 79/39

We previously indicated in Assessors' letter 79/39 under question and answer A-11 that each year's acquisitions of machinery and equipment would be considered the unit and valued separately. Also, in question and answer A-10 we indicated that fixtures on Schedule B would be a separate unit for appraisal purposes. We have changed our position on these subjects and, as you can see, now hold that the unit consists of all fixed machinery and equipment and applicable fixtures assessed to the taxpayer at a particular plant site.

Sincerely,



Verne Walton, Chief
Assessment Standards Division

VW:pb
Enclosures

The following pages have been retyped from an original copy. Original copies can be provided electronically by request.

SCHEDULE A — COST DETAIL: EQUIPMENT Include equipment expensed & fully depreciated items. Include sales or use tax, freight & installation costs. Attach schedules as needed.

LINE NO	Calendar Year of Acquis.	1. MACHINERY AND EQUIPMENT FOR INDUSTRY, PROFESSION, OR TRADE					2. OFFICE FURNITURE AND EQUIPMENT			3. TOOLS, MOLDS, DIES, JIGS			4. OTHER EQUIPMENT (Describe)	
		COST		ASSESSOR'S USE ONLY			COST		ASSESSOR'S USE ONLY	COST		ASSESSOR'S USE ONLY	COST	ASSESSOR'S USE ONLY
68	1979	10,000	100.0	10,000	100	10,000								
69	1978	90,000	100.0	90,000	96	86,400								
70	1977	110,000	102.0	112,200	99	108,900								
71	1976	40,000	104.04	41,616	100	40,000								
72	1975	60,000	106.12	63,672	100	60,000								
73	1974	175,000	102.82	179,935	109	190,750								
74	1973	180,000	110.4	198,720	119	214,200								
75	1972	240,000	109.32	262,368	115	276,000			(1) Full cash value base computation.					
76	1971	120,000	102.83	123,396	107	128,400			(2) Full value computation.					
77	1970	30,000	98.50	29,550	102	30,600								
78	1969	30,000	97.42	29,226	96	28,800			Assume an AH 581 Group 4 trend factor, 15-year life, and 80 percent of the machinery and equipment is classified as improvements.					
79	1968	35,000	92.00	32,200	89	31,150								
80	1967	40,000	85.51	34,204	82	32,800								
81	1966	80,000	81.18	64,944	74	59,200								
82	1965	60,000	73.60	44,160	65	39,000								
83	1964	50,000	66.03	33,015	57	28,500								
84	1963	25,000	58.45	14,612	49	12,250								
85	1962	20,000	49.79	9,958	42	8,400								
86	1961	20,000	43.30	8,660	35	7,000								
87	1960	15,000	36.80	5,520	30	4,500								
88	1959	15,000	31.39	4,709	23	3,450								
89	Prior	30,000	27.06	8,118	19	5,700								
90	Total	1,475,000		1,400,783		1,406,000								

91 Add totals on Line 90 and any supplemental schedules ENTER HERE AND ON LINE 3, PART II

20% Personal Improvement	<280,157>	<281,200>
Additional Obsolescence	1,120,626	1,124,800
	-	<20,000> Allowed on a machine acquired in 1972.
	1,120,626	1,104,800

ASSESSOR'S USE ONLY

CLASSIFICATION	COL	FIXTURES FULL VALUE	PERSONAL PROPERTY RCLND	ADJUSTMENTS	PERSONAL PROPERTY FULL VALUE
Machinery & equipment	1	1,104,800	281,200		
Office furniture & equipment	2				
Tools, molds, dies & jigs	3				
Other Equipment	4				
Attached Schedules	-				
TOTALS					

SCHEDULE B — COST DETAIL: BUILDINGS, BUILDING IMPROVEMENTS, AND/OR LEASEHOLD IMPROVEMENTS, LAND IMPROVEMENTS, LAND AND LAND DEVELOPMENT

L I N E N O	Calendar Year of Acquis.	BUILDINGS, BUILDING IMPROVEMENTS, AND/OR LEASEHOLD IMPROVEMENTS						3. LAND IMPROVEMENTS (e.g., blacktop, curbs, fences)			4. LAND AND LAND DEVELOPMENT (e.g., fill, grading)		
		1. STRUCTURE ITEMS ONLY (See Instructions)			2. FIXTURE ITEMS ONLY (See Instructions)			COST	ASSESSOR'S USE ONLY	COST	ASSESSOR'S USE ONLY	COST	ASSESSOR'S USE ONLY
		COST	ASSESSOR'S USE ONLY		COST	ASSESSOR'S USE ONLY							
44	1979												
45	1978												
46	1977												
47	1976												
48	1975												
49	1974												
50	1973												
51	1972												
52	1971												
53	1970												
54	1969												
55	1968												
56	1967												
57	1966												
58	1965												
59	1964												
60	1963												
61	1962												
62	1961												
63	1960												
64	1959												
65	Prior												
66	Total												
67	Add totals on Line 66 and any supplemental schedules.										ENTER HERE AND ON LINE 5, PART II		

TO AVOID DUPLICATE AND OVER ASSESSMENT, explain in detail additions and retirements from March 1, 1978, to February 18, 1979. (See Instructions)							
CATEGORY	ADDITIONS-DETAIL	MO./YR. ACQD.	COST	CATEGORY	RETIREMENTS-DETAIL	YEAR ACQD.	COST
1. Structures				1. Structures			
2. Fixtures				2. Fixtures			
3. Land Imps.				3. Land Imps.			
4. Land				4. Land			

Assume and AH 581 Group 4 Industry
and a 15-Year Economic Life

Computation of the 1979 Full Cash Value Base Factors:

Year	Trend Factor AH 581 Industry Group 4	AH 581 15-Year Percent Good Factor	Combined Factor	Inflation Factor	1979 Full Cash Value Base Factor
1979	100 ¹	100 ¹	100 ¹	100.00	100.00
1978	100 ¹	100 ¹	100 ¹	100.00	100.00
1977	100 ¹	100 ¹	100 ¹	102.00	102.00
1976	100 ¹	100 ¹	100 ¹	104.04	104.04
1975	100 ¹	100 ¹	100 ¹	106.12	106.12
1974	100 ²	95 ²	95 ²	108.24	102.82
1973	115	89	102	108.24	110.40
1972	120	84	101	108.24	109.32
1971	122	78	95	108.24	102.83
1970	127	72	91	108.24	98.50
1969	134	67	90	108.24	97.42
1968	139	61	85	108.24	92.00
1967	144	55	79	108.24	85.51
1966	150	50	75	108.24	81.18
1965	155	44	68	108.24	73.60
1964	157	39	61	108.24	66.03
1963	159	34	54	108.24	58.45
1962	160	29	46	108.24	49.79
1961	161	25	40	108.24	43.30
1960	160	21	34	108.24	36.80
1959	162	18	29	108.24	31.39
1958	165	15	25	108.24	27.06

¹ Assumed to be the value at time of purchase.

² From the 1975 Assessors' Handbook Section 581, Equipment Index Factors and Inventory Ratios.

Computation of the 1979 Combined Trend – Percent Good Factors (Full Value Factors)

Year	Trend Factor AH 581 Industry Group 4	AH 581 15-Year Percent Good Factor	Combined Trend/ Percent Good Factor (Full Value Factor)
1979	100	100	100
1978	100	96	96
1977	109	91	99
1976	116	86	100
1975	123	81	100
1974	143	76	109
1973	167	71	119
1972	174	66	115
1971	178	60	107
1970	185	55	102
1969	195	49	96
1968	202	44	89
1967	210	39	82
1966	218	34	74
1965	225	29	65
1964	229	25	57
1963	231	21	49
1962	233	18	42
1961	234	15	35
1960	234	13	30
1959	234	10	23
1958	234	8	19