



STATE BOARD OF EQUALIZATION
PROPERTY AND SPECIAL TAXES DEPARTMENT
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March 30, 2004

TO COUNTY ASSESSORS:

TIMOTHY W. BOYER
Interim Executive Director
No. 2004/019

MINIMUM PERCENT GOOD FACTORS

Assembly Bill 2714 enacted Revenue and Taxation Code section 401.16, effective January 1, 2003. Revenue and Taxation Code section 401.16 prohibits assessors from using an arbitrary minimum percent good factor when valuing personal property and trade fixtures. Section 401.16 provides that if a minimum percent good factor is used by the county assessor, the factor shall be determined in a manner that is supportable.

Board staff have been asked whether salvage value data published in the *Marshall Valuation Service*, a recognized cost-estimating guide, can be used in estimating minimum percent good factors as required by Revenue and Taxation Code section 401.16.

“Salvage value” is defined by the American Society of Appraisers in *Appraising Machinery and Equipment* as:

[T]he value of recoverable machines or equipment or parts thereof including, but not limited to, base castings, gears, shafts, or other mechanical components such as controls, gauges, valves pipe fittings, or electrical parts.

Salvage value is thus a minimum value for property with parts that have some value remaining greater than the value of the basic materials that may be recycled.

The salvage value data in the *Marshall Valuation Service* are displayed in a table that lists the average percentage salvage value of all equipment and fixtures by industry. These percentages may provide one means of arriving at an estimate of the minimum percent good of equipment within an industry. Since the percentages are intrinsically general, however, care should be taken to avoid applying them to particular items of equipment that may not be representative of the average percentage for its industry. Moreover, an assessor should consider any evidence provided by a taxpayer when estimating the market value of the taxpayer's equipment.

If you have questions regarding the appropriate determination or use of minimum percent good factors, please contact Gordon Ferguson at (916) 322-3815 or our Technical Services Unit at (916) 445-4982.

Sincerely,

/s/ David J. Gau

David J. Gau
Deputy Director
Property and Special Taxes Department

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