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TO COUNTY ASSESSORS:

### **CLASSIFICATION OF MOBILE AGRICULTURAL EQUIPMENT AND APPLICATION OF PERCENT GOOD FACTORS**

During recent years, the State Board of Equalization (BOE) assessment practices survey teams have encountered a recurring issue within county assessors' business equipment valuation programs. The issue involves the misuse of mobile agricultural equipment percent good factors published in Table 6 of Assessors' Handbook Section 581, *Equipment and Fixtures Index, Percent Good and Valuation Factors* (AH 581). BOE survey teams have found that the Table 6 mobile agricultural equipment percent good factors are being applied in the valuation of movable agricultural equipment rather than mobile equipment as intended.

The percent good factors in Table 6 were derived from market data pertaining solely to self-propelled agricultural equipment and related implements. The factors are intended for use in the appraisal of those specific equipment types. Mobile equipment is often exposed to more intensive and harsher use than other movable equipment and is prone to a greater degree of both physical deterioration and functional obsolescence. Consequently, Table 6 percent good factors have a different genesis than the general use Table 4 percent good factors, which also appear in AH 581. Table 4 percent good factors should be used, in conjunction with Table 3 agricultural equipment index factors, to value agricultural non-mobile equipment and fixtures, such as bins, movable irrigation pipe, portable generators, portable welders, movable corrals, etc. Thus, Table 6 factors applied to non-mobile agricultural equipment will likely result in inaccurate value determinations.

Historically, we have found two causes behind the observed errors in the use of the mobile agricultural equipment percent good factors. First, is the misclassification of reported equipment by assessors' staff. This can be remedied with further training of the *Business Property Statement* processing staff. The second cause is related to the Business Property Statements. We have found that the assessor does not always have sufficient information to make informed decisions regarding the proper classification of agricultural equipment due largely to the format of the Agricultural Property Statements BOE-571-A and BOE-571-F. Schedule D of the forms and the associated instructions do not provide enough direction on how to differentiate between mobile (self-propelled) agricultural equipment and other movable, non-mobile agricultural equipment. Therefore, movable, non-mobile agricultural equipment is often reported along with mobile agricultural equipment. Applying the mobile agricultural valuation factors to such mixed equipment costs will likely result in errant value determinations. In a mass appraisal program, accurate application of the appropriate valuation table factors is often impossible unless the

Property owner provides property description information in the detail requested or an audit is conducted of the business.

This valuation issue was discussed at a recent meeting between the California Assessors' Association's (CAA) BOE Survey Program, Executive Ad Hoc Committee and BOE staff. In order to assist property owners in providing assessors with the information necessary to value mobile agricultural equipment as distinct from other movable farm equipment, all parties at the meeting agreed that revising the Agricultural Property Statements to provide property owners with a means to properly classify this type of property is appropriate. Therefore, the BOE will be considering revisions to BOE-571-A and BOE-571-F during next year's meeting with the CAA Forms Subcommittee. It is anticipated that the revised forms will be presented to the BOE for adoption next year and will be available for the January 1, 2019 lien date.

In the meantime, while it is understood that such detailed information is not always available in a mass appraisal setting, when equipment descriptions are available, the assessor should be diligent in properly classifying the agricultural equipment in order to apply the correct percent good factors.

Sincerely,

/s/ Diane Yasui for

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Deputy Director  
Property Tax Department

DRK:ja