

BUSINESS PERSONAL PROPERTY TAX

Market-Based Assessment Reduction Services

Understanding the Assessment Issues

Most state and local governments are required to assess business personal property ("personal property") according to its fair market value. However, many jurisdictions use a mass appraisal approach that does not take the market value of an asset into account. Rather, they only measure the physical deterioration of the asset, which represents only one of three types of depreciation ("obsolescence") the assessor is mandated to consider.

Many jurisdictions use a "one-size-fits-all" approach that often

results in **OVERASSESSMENTS.** This practice is very favorable to taxing jurisdictions and often detrimental to taxpayers.

In addition, the depreciation tables used by assessors in the valuation analysis are often grossly outdated and measure the mortality life cycle of an asset and not its value in the marketplace. Statutory, case, and agency laws, all require the assessor to account for all forms of obsolescence by looking to the market—including functional and economic—as well as other adjustments for nontaxable items. However, this is rarely properly employed.

The Ryan Advantage

Ryan understands that personal property is as unique and varied as the companies that own it. For that reason, a method must be strategically designed to arrive at a proper level of assessment that conforms to the state's fair market value standard. Ryan accomplishes this in three different ways:

Non-Inventory Fixed Assets

Assessing jurisdictions typically depreciate a company's owned assets by accounting only for physical deprecation, without accounting for additional functional and economic obsolescence that may exist. Ryan addresses this overassessment issue by applying current market-based depreciation tables that are specific to the type of property and supported by thousands of actual asset sales in the marketplace.

This approach results in a depreciation factor that, when applied to personal property assets, captures all three forms of obsolescence. Ryan helps clients achieve more realistic assessments by using these depreciation tables in administrative appeals, or where allowed, to proactively render annual original personal property renditions using these tables to arrive at an opinion of value.

OVERASSESSMENTS OFTEN OCCUR BECAUSE JURISDICTIONS FAIL TO TAILOR THEIR **VALUE ASSESSMENT** TO THE FACTS AND CIRCUMSTANCES APPLICABLE TO EACH UNIQUE SITUATION.

Inventory

Many companies overreport inventory by listing the actual cost on the annual personal property rendition. The few states that tax inventory rarely make adjustments to the value rendered by a company. However, a variety of deductions may be made to inventory to account for various cost and/or value adjustments. The fair market value assessment standard applies to inventory just as it applies to non-inventory fixed assets.

Ryan uses industry-specific research that considers the different market and accounting adjustments that are applicable to arriving at the proper value of a company's inventory. In most instances, inventory is the largest component of a personal property tax assessment. In much the same manner as non-inventory fixed assets, Ryan assists clients with inventory appeals using the same cost and value adjustments. Where allowed, we proactively render annual original personal property renditions using these adjustments.

Economic Obsolescence

Economic obsolescence (EO) is a form of depreciation caused by outside influences that may reduce the value of the owner's property. The negative impact of COVID-19 on the value of personal property is a prime example. Most jurisdictions do not have the resources to perform the due diligence required to accurately identify and quantify EO.



An EO adjustment can fluctuate over time and should be refreshed annually. Ryan offers our clients an annual EO analysis that dives into the macroeconomics of the industries we serve. This also includes the relevant microeconomics of your company and all relevant site-specific financial and operational metrics. Ryan determines a unique, client-specific EO adjustment factor that is customized to your individual circumstances.

Most practitioners typically use three methods or less to quantify EO. However, only looking at a select set of calculations will not properly meet the individual needs of every taxpayer. Ryan uses a comprehensive range of the latest company and industry data available. This gives us access to more than 120 different EO calculations that may assist in reducing our client's assessment. Ryan uses this data to support our client's lower opinion of value during the informal and formal appeal process.

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THE BOTTOM LINE

Ryan fully uses all these methods to help our clients receive the lowest legal property tax assessment possible. Their application typically results in hundreds of pages of supportable documentation that assists in convincing an assessor or appeals board that the preponderance of the evidence is in our favor.

This approach applies to nearly all industries, from the largest manufacturing facility to the smallest retail store. Particular synergies exist where these reductions may be applied to taxpayers with a high volume of locations.

- Retail
- Restaurants
- Hospitality
- Financial Institutions
- Healthcare
- Wholesale Distribution
- Manufacturing

Award-Winning Tax Services

For additional information **1.855.RYAN.TAX**

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