

Personal Property Appraisals

In accordance with O.C.G.A. § 48-5-268, O.C.G.A. § 48-5-48.2, O.C.G.A. § 48-5-20 and Georgia Department of Revenue Rules and Regulations 560-11-10:

- 1) The Board of Assessors shall designate a certified appraiser as the Personal Property Appraiser and the appraiser should have successfully completed Course III: Valuation of Personal Property as administered by the Georgia Certification Program.
- 2) Useful life groups of assets should be determined in compliance with IRS Publication 946.
- 3) The appraisal staff should consider a market risk factor when appraising Construction in Progress and consistently apply the factor. A market risk factor of .75 is recommended in the Appraisal Procedures Manual.
- 4) The county should appraise machinery and/or equipment that has been substantially overhauled by the use of the reverse trend method to estimate the value of the old component replaced and add the component as a new acquisition as referenced in the Appraisal Procedures Manual.
- 5) The county shall apply the composite conversion factors as provided by the Georgia Department of Revenue and provided in the Appraisers Procedures Manual.
 - a) Group I composite conversion factors. The following composite conversion factors shall be applied to Group 1 assets to arrive at the basic cost approach value for years one through seven: Y1-.87, Y2-.74, Y3-.78, Y4-.43, Y5-.32, Y6-.26, Y7-.21. Thereafter the residual composite conversion factor shall be .20.
 - b) Group II composite conversion factors. The following composite conversion factors shall be applied to Group II assets to arrive at the basic cost approach value for years one through eleven: Y1-.92, Y2-.85, Y3-.78, Y4-.70, Y5-.63, Y6-.54, Y7-.44, Y8-.34, Y9-.28, Y10-.25, Y11-.25. Thereafter the residual composite conversion factor shall be .20.
 - c) Group III composite conversion factors. The following composite conversion factors shall be applied to Group III assets to arrive at the basic cost approach value for years one through sixteen: Y1-.95, Y2-.91, Y3-.87, Y4-.82, Y5-.79, Y6-.75, Y7-.70, Y8-.63, Y9-.57, Y10-.52, Y11-.47, Y12-.41, Y13-.35, Y14-.31, Y15-.29, Y16-.28. Thereafter the residual composite conversion factor shall be .20.
 - d) Group IV composite conversion factors. The following composite conversion factors shall be applied to Group IV assets to arrive at the basic cost approach value for years one through three: Y1-.67, Y2-.54, Y3-.31. Thereafter the residual composite conversion factor shall be .10.
- 6) The appraisal staff shall apply a salvage value to equipment when applicable. The salvage value should be ten percent of the original cost new. For equipment that is withdrawn from active use but is maintained as backup equipment, one half of the cost approach to value should be applied.
- 7) The appraisal staff shall establish the approach to valuation for all types of personal property including machinery and equipment, furniture and fixtures, boats, aircraft, inventory and all other types of personal property to be appraised by the appraisal staff in order to obtain the fair market value of said property in compliance with the definition of fair market value in O.C.G.A. § 48-5-2.
- 8) Discovery methods should be identified and utilized to ensure that all property is appraised and included on the tax digest. Freeport applications should be mailed to all businesses having received the Freeport exemption in the previous year no later than January 15 of each year.
- 9) Freeport applications should be investigated diligently to ensure that any taxable inventory such as supplies and packing and shipping materials are not incorrectly included as exempt Freeport

inventory. All Freeport applications should be approved or denied and signed by the Board of Tax Assessors. Notification shall be sent to the applicant pertaining to the approval or denial of the Freeport Exemption.

- 10) All personal property items should be reappraised annually in order to obtain a fair market value appraisal. In the event of unreturned property, the appraisal staff should investigate and adopt procedures to obtain a return, including the possibility of auditing the account in accordance with the county's audit selection criteria. In reference to previously unreturned property not timely returned, the appraisal staff shall apply a ten percent penalty to become part of the taxable value of the property for the current year.
- 11) The county shall use the authorized forms, including returns and schedules as required in the Appraisal Procedure Manual and as approved by the Georgia Department of Revenue. (The forms generated through the WinGAP CAMA system are compliant.)
- 12) Return forms PT-50P, Business Personal Property Reporting forms and PT-50PF, application for Freeport Exemption Inventory forms are mailed by January 15 each year.
 - a) Discovery
 - i) Occupational or business licenses – A listing of permits issued by Rincon, Springfield, Guyton and the county will be requested each year by the end of November. Data files will be updated with new businesses and addresses by the end of December of each year. A second listing will be requested after January 31 each year to include any that were not issued before December. A report will be mailed to any business that appears on the second listing by the personal property appraiser.
 - ii) Sales Tax Listing – An updated state sales tax listing is uploaded from the state each year through WinGAP. The files contain businesses with sales tax numbers that have been recorded since December of the previous year. The report also contains the name and address of the business. A comparison of the counties data and the state listing will be completed each year. New businesses will be added to the county data that are not currently listed.
 - iii) Estimated valuation – An estimated value to generate paperwork will be assigned to all accounts created through this discovery process. Values will be assigned based on type and size of business as follows: Home based - \$8500, Commercial space small (under 10 employees) - \$15000, Commercial space medium (11-25 employees) - \$25000, Commercial space large (26-100 employees) - \$50000, Commercial XL/Industrial - \$100000
 - b) Tracking
 - i) Forms returned by the post office
 - (1) Addresses will be checked by sending information to the city or county who issued the permit
 - (2) Research real property information on property owner
 - (3) Call the telephone number if listed or check telephone listings
 - ii) The following may suggest follow-up with business or flag for audit
 - (1) Forms not properly filled out
 - (2) Forms not returned to the office
 - (3) Insufficient information provided by taxpayer
 - c) Verification of Returns/Audits

- i) Accounts with the same code from the North American Classification System are selected along the same time frame
 - ii) A three-year review will be applied
 - iii) Results of each review are tracked by
 - (1) Maintain a list of accounts
 - (2) Notation of the ~~date of the review~~ years under review
 - (3) Notation of the date the review is completed
 - (4) Breakdown of value under review for equipment and inventory
 - (5) Final value
- 13) The appraisal staff shall investigate diligently any returned forms for wrong or incomplete addresses. Any returns that are not successfully mailed or re-mailed should be certified to the Probate Court, publicly posted and a permanent file shall be maintained of such returns.
 - a) Return forms are tracked throughout the appraisal process in the following manner
 - i) Who should receive (be mailed) a return form? Discovery efforts to include all businesses
 - ii) Which form should be mailed? PT-50P, PT-50PF
 - iii) Was the form returned by the Post Office? Check address
 - iv) Was the form properly filled out and returned to the office? If not may flag for audit
 - v) Was information provided on the completed form that suggest another party should also be mailed a form? (Return to #1)
 - vi) Was insufficient information provided by the taxpayer and the form was returned? Flag for audit
 - b) The use of a tracking system will also indicate which taxpayers have failed to make a tax return by the return period deadline.
- 14) The county shall establish procedures for the mailing of personal property return forms on an annual basis.
- 15) The county shall adopt an audit selection criteria and perform audits accordingly in compliance with the Appraisal Procedures Manual.
 - a) Verification of Returns
 - i) The appraisal staff shall review and audit returns in accordance with policies and procedures set by the county Board of Tax Assessors consistent with Georgia law and Regulation 560-11-10, Appraisal Procedure Manual.
 - ii) The appraisal staff shall recommend to the Board of Tax Assessors a review and audit selection criteria. The criteria are designed to maximize the number of personal property returns that may be reviewed or audited with existing resources (budgeted each year). The criteria should be fair, unbiased, and developed consistent with the requirements of Code section 48-5-299.
 - iii) The use of the tracking system will assist in determining which taxpayers should be reviewed. The goal of the verification is to substantiate the cost amounts that have been reported by the taxpayer through the review of appropriate and pertinent records. All personal property accounts should be reviewed or audited at least once every three years.
 - iv) The North American Industrial Classification System shall be used in the selection criteria for review and audit. The Federal Government produces this manual that assigns a code to each type of business. Accounts with the same North American Industrial Classification System code are chosen during the same time frame for verification.

- v) Upon approval of this policy, the date of the next review will be contingent upon the last review date. The county appraisal staff will use the review dates to schedule future reviews of accounts to maintain compliance of a three-year review rotation. Results of each review are tracked by maintaining a list of accounts, the ~~date of the review~~ years under review, the date the review is completed, breakdown of value under review, and final value.
- vi) Accounts with a value of \$50,000 or more shall be reviewed through a contracted vendor. Accounts with a value of \$49,999 shall be reviewed by the county appraisal staff in an in-house review. Requests for Proposals will be mailed out every three years to vendors to meet the obligations of county policies on bid process.
- vii) The end result of the audit is developed and designed so that several purposes can be achieved.
 - (1) The opportunity to educate taxpayers whenever possible as to encourage voluntary compliance with the reporting procedures;
 - (2) To discover all business property subject to taxation;
 - (3) To verify that all business property items have been reported and that the information given is accurate; to equalize the tax burden among taxpayers;
 - (4) Uniformity;
 - (5) To set standard audit procedures to insure that the correct valuation procedures are followed to reach reasonable and equitable estimates of market value and assessment among the county;
 - (6) And to establish measurements to determine the level of compliances of business reporting taxable business personal property.
 - (7) Taxpayers are treated as customers, realizing their needs and being as informative as possible, keeping scheduling flexible.
 - (8) The practice of good customer service and effective public relation skills as well as the importance of courtesy and professionalism is emphasized.
 - (9) The result of the audit should be accurate, complete records and as much as possible, efforts should not be intrusive.

Audit Selection Criteria

In accordance with O.C.G.A. § 48-5-299(a) and the Georgia Department of Revenue Rules and Regulations 560-11-10.08(4)(e):

The Board of Assessors, consistent with Georgia law*, shall audit all personal property accounts over the course of a three-year time period. The criteria for account selection will be fair, unbiased, random and consistent with the requirements of O.C.G.A. § 48-5-299**. The selection process will occur as follows:

- All accounts will be ranked in size according to their Fair Market Value to include seven categories
 - Class 1 Under \$7,501
 - Class 2 \$7,501-\$50,000
 - Class 3 \$50,001-\$250,000
 - Class 4 \$250,001-\$1,000,000
 - Class 5 \$1,000,001-\$5,000,000
 - Class 6 \$5,000,001-\$50,000,000
 - Class 7 Over \$50,000,000

- Accounts with the same code from the North American Classification System will be selected for review until the number of audits has been performed for each year of the program.
- ~~All accounts that fail to file a return shall be audited each year.~~
- All accounts with excessive decreases will be audited as deemed necessary by the chief appraiser with approval from the Board of Assessors.
- All accounts with disposals reported but not detailed will be audited as deemed necessary by the chief appraiser with approval from the Board of Assessors.
- The list from which selections are made shall be available for inspection upon request.

This policy shall not be so restrictive as to prevent any account from being audited as the need should arise due to unforeseen circumstances. If additional audits outside of the scope of this policy should arise, they shall be presented to the Board of Assessors for approval prior to review.

**APM: Audit Selection Criteria [section 560-11-10.08(4)(e)] – The appraisal staff shall recommend to the Board of Tax Assessors a review and selection criteria, and the appraisal staff shall follow such criteria when adopted by the board. The criteria should be designed to maximize the number of personal property tax returns that may be reviewed or audited with existing resources. The criteria should be fair, unbiased, and developed consistent with the requirements of Code Section 48-5-299. All personal property accounts should be reviewed or audited at least once every three years.*

***O.C.G.A. § 48-5-299(a) – It shall be the duty of the county Board of Tax Assessors to investigate diligently and to inquire into the property owned in the county for the purpose of ascertaining what real and personal property is subject to taxation in the county and to require the proper return of the property for taxation. The board shall make such investigation as may be necessary to determine the value of any property upon which for any reason all taxes due the state or the county have not been paid in full as required by law.*

Adopted by the Board of Tax Assessors _____