



GEORGIA DEPARTMENT OF REVENUE LOCAL GOVERNMENT SERVICES DIVISION

Verification of Personal Property

For Educational Purposes Only:

The material within is intended to give the course participant a solid understanding of general principles in the subject area. As such, the material may not necessarily reflect the official procedures and policies of the Georgia Department of Revenue or the Department's official interpretation of the laws of the Statute of Georgia. The application of applicability to specific situations of the theories, techniques, and approaches discussed herein must be determined on a case-by-case basis.

Revised January 2016



Course Description

The Verification of Personal Property course adheres to the requirements of O.C.G.A. § 48-5-268 (b)(1):

48-5-268 Training courses for new appraisers; continuing education for experienced appraisers; member of county appraisal staff to appraise tangible personal property

(b)(1) The department shall prepare, instruct, operate and administer courses of instruction for the training of new appraisers and the continuing education of experienced appraisers in the appraisal of personal property.

(2) In all counties except Class I counties, the chief appraiser shall designate at least one person on the county appraisal staff to be responsible for the appraisal of tangible personal property.

Any person or persons so designated shall be required to attend the standard approved training courses operated by the department in accordance with this subsection as part of their duties specified in subsection (b) of Code Section 48-5-263.

The course is designed to provide the students with generally accepted appraisal practices in the valuation of tangible personal property for ad valorem tax purposes utilizing legislation, regulations and judicial decisions that provide clear direction to achieve uniform and equitable personal property valuations within the county using the three approaches to value: the cost approach, the income approach and the sales comparison approach.

The course utilizes lectures, quizzes, group activities, homework and classroom discussions to convey the skills necessary to list, appraise and assess tangible personal property. Students are encouraged to actively participate. Classroom participation will be monitored by instructor on a daily basis.

There is a fifty question exam on the last day of class. The GCP coordinator assigned to this course will send the results of the final examination to the address indicated on the yellow sheet filled out in class. Credit for courses will be awarded to students that have met the mandatory 95% attendance requirement of 38 hours out of the 40 hours offered for this course, the completion of required coursework and a passing score of seventy percent or better on the final examination. Student's failure to pass exam can retake exam for \$25 during the next regional exams at Southmeadow if registered within 2 weeks of results letter date or pay to retake course.



AUDITS

Due to the self-reporting nature of personal property it's likely not to receive full cooperation from all taxpayers and partial cooperation from others whether knowingly or unknowingly. In other words, money is being left on the table or taxable property is escaping taxation without a systematic review and audit program. It is important that counties verify information to ensure that all property is properly returned for taxation. The ad valorem program needs to be administered at 100% capacity. A successful review and audit program can possibly add millions to a county's digest simultaneously upholding equity and uniformity. Also, the board is charged with the duty to ensure all taxable property is reported in county.

(3) Return of personal property. In accordance with Code section 48-5-299 (a), the appraisal staff, on behalf of the board of tax assessors, shall investigate diligently and inquire into the property owned in the county for the purpose of ascertaining what real and tangible personal property is subject to taxation in the county and to require the proper return of the property for taxation. The appraisal staff 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. In all cases where taxes are assessed against the owner of property, the appraisal staff shall prepare a proposed assessment on the property according to the best information obtainable.

The quality of the data received on the return and schedule depends on the data provider which is the property owner or the property owner's representative. It is imperative that the property owner and/or representative is educated on how to accurately complete a return and the attached schedules to assist with an efficient workflow. By reviewing each return and comparing it against prior year's return, the appraiser can open up a line of communication with the property owner via telephone, written correspondence or an on-site visit to correct the return if necessary and educate the responsible party on how to properly complete a return.

(c) Review. The purpose of a review is to determine if a property owner has correctly and fully completed their return and reporting schedules. It is based upon the good-faith disclosures of the property owner and information that is readily ascertainable by the appraisal staff. The review of an owner's return may consist of, but is not limited to, an analysis of any improper omissions or inclusions, improperly applied or omitted depreciation, and improperly applied or omitted inflation or deflation of the value of the owner's property. The examination should include a comparison of the current return information with return information from prior years. The appraiser should contact the owner or their agent by an on-site visit, telephone call, or written correspondence to attempt to resolve any questionable items. Returns with unresolved discrepancies, unexpected values, or incomplete information should be escalated to an audit.



After reviewing the return and the appraiser determines that the return is incomplete, the appraiser should contact the owner or tax representative to resolve any discrepancies.

1. One of the quickest and inexpensive ways to resolve a discrepancy is a telephone call or desk audit to correct clerical errors, identify omitted or unlisted property, or question reductions in value from prior year's listing.
2. Letters are also a cost-effective way to resolve return discrepancies. Form letters and/or individual correspondences can be utilized to obtain or question information on the taxpayer's return.
3. On-site visits maybe necessary to verify if an asset has been disposed of or is being utilized as back up equipment or to inspect a piece of equipment the taxpayer is requesting functional or economic obsolescence.

***Example:** An appraiser is reviewing Company B's property return comparing the current statement with the prior year's statement. The appraiser notices the company has acquired a sizable amount of machinery and equipment in the digest year under review and has disposed of similar older machinery and equipment before the date of valuation. These changes may be considered reasonable. On the other hand, the company disposes of an asset that is primary to its operations and does not replace it. This may not be deemed reasonable and the appraiser should contact the company to determine why similar property was not acquired.*

1. Information presented by property owner. The appraisal staff shall consider any timely information presented by the property owner that may have reasonable relevance to the appraisal of the owner's personal property. The appraisal staff shall consider the effect of any factors discovered during the review or audit of the return or directly presented by the property owner that may reduce the value of the owner's personal property, including, but not limited to all forms of depreciation, shrinkage, theft and damage.

Any discrepancies that cannot be resolved by the previously discussed methods should be escalated to an audit.

(d) Audits. The purpose of an audit is to gather information that will allow the appraiser to make an accurate determination of the fair market value of the property owned by the property owner and subject to taxation. An audit is an examination of the records of the property owner to make an independent determination of the fair market value of such property where such determination does not solely depend upon the good-faith disclosures of the property owner and information that is readily ascertainable by the appraisal staff. The appraisal staff shall perform, consistent with Georgia Law and policies that are established by the board of tax assessors, audits of the records of the property owners to verify the returns of personal property. These audits may take place at any time within the seven-year statute of limitations, which begins on the date the personal property was required by law to be returned.



The appraiser will substantiate cost amount reported by the property owner by examining appropriate and pertinent records. Before an audit can be conducted an “Audit Selection Criteria” must be adopted and approved by the board of tax assessors.

(4) Verification. The appraisal staff shall review and audit the returns in accordance with policies and procedures set by the county board of tax assessors consistent with Georgia law and this Rule.

(e) Audit selection criteria. The appraisal staff shall recommend to the board of tax assessors a review and audit 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 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.

The following criteria may be used in order to select which accounts to be audited:

- Consistent failure by the property owner to file a reporting form with the assessor’s office
- A significant decrease in the value reported by a property owner from one year to another
- Comparison of the value reported by a business to the value reported by similar businesses (Site and Square Foot Method) may indicate the need for additional information from the property owner
- The account should be reviewed or audited every three years

On the next pages are examples of various counties Audit Selection Criteria.



Audit Selection Criteria #1

The Board of Assessors, consistent with Georgia law*, shall audit all personal property returns in Lee County 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 \$7501 (Exempt)
 - Class 2 \$7501-\$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
- One third of each category will be audited each year of the three year program
- The first account, and every third account thereafter will be selected for review until the number of audits has been performed for each year of the program.
- Class 1 accounts will be exempt for the selection criteria, but will be reviewed at least once every three years.
- 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 made 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.*



Audit Selection Criteria #2

In accordance with Georgia law, O.C.G.A. § 48-5-299(a), the Board of Assessors are taxed with auditing personal property accounts.

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 country and to require the proper return of the property for taxation.

In accordance with the Appraisal Procedures Manual (APM) (560-11-10.08(4)(e) "Audit selection criteria"), all personal property returns shall be audited once every three years.

The appraisal staff shall recommend to the board of tax assessors a review and audit selection criteria, and the appraisal shall follow such criteria when adopted by the board. The criteria should be designed to maximize the number of personal property 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.

As such the Fannin County Board of Assessors has adopted the following audit selection criteria for Commercial and Industrial accounts:

1. Business personal property accounts-Commercial
 - a. Accounts with a current value of \$1 up to \$99,999
 - b. Accounts with a current value of \$100,000 up to \$999,999
 - c. Accounts with a current value of \$1,000,000 and over

2. Business personal property accounts-Industrial
 - a. Accounts with a current value of \$1 up to \$99,999
 - b. Accounts with a current value of \$100,000 up to \$999,999
 - c. Accounts with a current value of \$1,000,000 and over

The Fannin County Board of Assessors has adopted the following audit and review criteria for Residential accounts:

1. Aircraft and Marine personal property accounts-Residential
 - a. Accounts with a current value of under \$7501
 - b. Accounts with a current value of \$7501 up to 49,999
 - c. Accounts with a current value of \$50,000 and over

A. All Residential accounts under an audit shall be reviewed to ascertain if the aircraft or boat is still registered with the proper authorities, domiciled in Fannin County, and has a current value.



B. Every three years each subgroup in Commercial, Industrial, and Residential accounts starting with the first account and then the following fourth account continuing with every third account will be chosen for the first year. The second year will start with the second account in each subgroup and the following fifth account with every third account will be chosen. The third year shall start with the third account then the following sixth account and every third account thereafter.

C. If an account has failed to file a return, failed to file a current asset listing with the return, has excessive decreases, or any inaccuracies shall be audited each year. This policy shall not be so restrictive as to prevent any account from being audited as the needs should arise due to unforeseen circumstances. If additional audits of the scope of this policy should arise, they shall be presented to the Board of Assessors for approval prior to review.

E. The most current Audit Selection list shall be available upon request.



Audit Selection Criteria #3

PERSONAL PROPERTY PROCEDURES/ AUDIT SELECTION CRITERIA

The Board of Assessors, consistent with Georgia Law, shall audit all personal property accounts in Gilmer County over the course of a three year time period. The criteria for account selection will be fair, unbiased, random and consistent with *O.C.G.A. 48-5-299.

Audit selection criteria:

Accounts will be sorted according to their NAICS Code (North American Industry Classification System). Accounts will be chosen starting from the top of this list and each year the list will start from the last account audited the previous year until all accounts, including boats and airplanes are audited over a three year period. In addition, accounts may be selected at any time for any of the following, regardless of the three year cycle:

- 1) No return has been filed in two years or more
- 2) The return listed disposals but did not include a disposal list
- 3) Two returns were filed for the same account and the values do not match
- 4) A retail business declaring \$0 for inventory
- 5) A retail business declaring \$0 for machinery, equipment, furniture & fixtures
- 6) Aircraft or boats declared to be inoperable
- 7) Accounts with inventory values that increased or decreased more than 20% in one year
- 8) New accounts
- 9) Boats and aircraft where a value was returned and no other information was given
- 10) Late returns
- 11) Businesses that reported being closed
- 12) Accounts discovered from sources other than the owner filing a return
- 13) Accounts returning a value without a depreciation schedule

This policy shall not be so restrictive as to prevent any account from being audited as needed.

*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.



1. Scope of audit. The audit may be an advanced desk audit of certain additional property owner records that are voluntarily submitted or obtained by subpoena from the property owner or a complex on-site detailed audit of the property owner's books and records combined with a physical inspection of the personal property. The documents the appraisal staff should secure include, but are not limited to, schedules A, B, and C of form PT-50P; a balance sheet or other type of financial record that for a particular location reflects the business' book value as of January 1 of the tax year being audited; a ledger of capitalized personal property items held on January 1 of the tax year being audited; and an income statement.

An *advanced desk audit* requires the taxpayer to supply their financial records to the assessment office for review. The review of the records is conducted in the office rather than an examination of the physical assets on site. Accounting and property detail records are not usually required with the property owner's rendition but these are requested to provide historical cost information to substantiate that the correct cost were reported and ensure equity among taxpayers.

1. General procedure. In applying the cost approach to personal property during a review or audit of a return, the appraiser shall identify the year acquired, and total acquisition costs, including installation, freight, taxes, and fees. The acquisition costs shall then be adjusted for inflation and deflation and then depreciated as appropriate to reflect current market values.

Advantages in desk audits include:

1. Being more cost effective for smaller value accounts (less travel)
2. The discovery of unreported (escaped) personal property

A *complex on-site detailed audit* is the most accurate. It is a combination of the desk audit and the physical inspection audit. A review of the records is conducted in the office and an examination of the physical assets on site. The physical inspection requires the auditor to travel to the business location and physically inspect the personal property to be valued. The purpose of the physical inspection is to list each taxable asset. Important items to note are:

1. Ownership of assets
2. Situs of the property as of tax day
3. Age and condition of the asset



The steps involved in performing a complex on-site detailed audit are listed below:

- A. Mail a notification letter
- B. Obtain copies of business personal property returns filed with the County taxing official for the years to be audited
- C. Make contact by telephone or correspondence to determine status of records (if necessary).
- D. Pre-audit preparation
- E. Begin audit with preliminary questions and a physical inspection of business.
- F. Review of financial records to determine business's taxable personal property by year of acquisition
- G. Prepare audit findings
 - 1. Compile list of property
 - 2. Sort property list by year of acquisition
 - 3. Sort property list into economic life categories
 - 4. Calculate market value
 - 5. Determine why any discrepancies exist between the rendition or estimated value and the audited values
- H. Notify taxpayer of audit findings
- I. Prepare final audit report
- J. Notify county assessing officials and examiners of Public Accounts as to findings of audit.



Records typically needed in both audits include but are not limited to:

- A. The rendition or statement for the tax years being audited
- B. A balance sheet value for the tax years being audited as of January 1
- C. A detailed ledger of capitalized personal property (equipment) for the tax years being audited as of January 1
- D. An income statement for lease information materials and supplies, repairs and maintenance expenses for the tax years being audited

48-5-300.1. Time period for taxation of personal property; extension by consent; refunds

(a) Except as otherwise provided in this Code section or this title, the amount of any tax imposed under this chapter with respect to personal property may be assessed at any time.

(b) Except as otherwise provided by subsection (c) of this Code section or by this title, in the case where a return or report is filed or deemed to be filed for personal property, the amount of any tax imposed by this chapter shall be assessed within three years from the date the original tax bill was paid, unless such personal property in question is the subject of an audit by the board of tax assessors.

(c) Except as otherwise provided by this title, in the case of a false or fraudulent personal property tax return or report filed with the intent to evade tax, or if the property owner has been notified of a pending audit of personal property, the amount of any tax imposed by this chapter may be assessed at any time.

(d) Where, before the expiration of the time prescribed in this Code section for the assessment of any tax imposed by this chapter with respect to personal property, both the board of tax assessors and the person subject to assessment have consented in writing to its assessment after such time, the tax may be assessed at any time prior to the expiration of the agreed upon period. The period so agreed upon may be extended by subsequent agreements in writing made before the expiration of the previously agreed upon period. The board of tax assessors is authorized in any such agreement to extend similarly the period within which a claim for refund may be filed.

(e) If a claim for refund of such taxes paid for any taxable period is filed within the last six months of the period during which the board of tax assessors may assess the amount of such taxes, the assessment period shall be extended for a period of six months beginning on the day the claim for refund is filed.

(f) No action without assessment shall be brought for the collection of any such tax after the expiration of the period for assessment.



In order for the appraisal staff to effectively pursue a course of action that will lead them to discover any property not on the digest it becomes important for the involvement of the board of assessors. Therefore, the first order of business when beginning a comprehensive review and verification program is to seek approval from the BTA. This is the group that may delegate to the appraisal staff the authority to investigate the records of the taxpayer in order to discover if there is any property that is not on the digest. **The board of assessors must make all decisions that relate to taxability and value.**

§ 48-5-305. Valuation of property not in digest

(a) The county board of tax assessors may provide, pursuant to rules or regulations promulgated by the board and consistent with this article, the manner of ascertaining the fair market value for taxation of any real or personal property not appearing in the digest of any year within the period of the statute of limitations.

(b) It is the purpose and intent of this Code section to confer upon the county board of tax assessors full power and authority necessary to have placed upon the digest an assessment of the fair market value of all property in the county of every character which is subject to taxation and for which either state or county taxes have not been paid in full.

(c) Nothing contained in this Code section shall apply to those persons who are required to make their returns to the commissioner.



Excerpt from Fulton County Board of Assessors Chairperson deposition in Fulton County Bd. of Assessors v. Saks Fifth Ave., 248 Ga. App. 836

Chief Judge Blackburn:

This court is troubled by the manner in which the Board and Mendola are conducting taxpayer audits. The record reflects that Mendola has contracts with 26 Georgia taxing authorities, plus other governmental entities, and conducts approximately 3,000 audits per year for taxing authorities performed by 25 employees. It is clear from the record in this case that the Board maintains no supervision over Mendola in the performance of its audits or in the handling of taxpayer's documents. Mendola maintains Board stationery and subpoenas of the Board and of 31 other Georgia counties. The chairperson of the Fulton County Board of Assessors was not even aware that Mendola was conducting audits for the Board until he showed up at a Board meeting a few months before her deposition. In her deposition, the chairperson testified as follows:

Q. By appellee's attorney What is your understanding of what Mendola is supposed to do?

A. I don't really know. I haven't read the contract.

Q. As chairperson, do you not have a general understanding of what --.

A. I did not sign the contract. I was not a party to that contract. I was not involved with procuring those services. I'm not familiar with the scope of services.

Deposition of Chairperson Pamela Smith, p. 13, lines 10-19.

Q. Based on your testimony, I am going to assume that you don't have any idea of what Mr. Mendola actually does when he does an audit for the County.

A. No, I don't.

Q. Do you know if the Fulton County Board of Tax Assessors has actually given him its letterhead to write letters on?

A. I don't know that for sure.

Q. Do you know if when he does an audit for the Board, if he's the taxpayer's primary contact with the Board?

A. I don't know.

Deposition of Chairperson Smith, p. 17, lines 17-25, and p. 18, lines 1-3.



Q. Do you know what kind of supervision the Board maintains over Mr. Mendola when he's doing an audit?

A. No.

Q. Do you know if it maintains any supervision over Mr. Mendola when he does an Audit? . . .

A. No, I don't know.

Deposition of Chairperson Pamela Smith, p. 18, lines 19-25, and p. 19, lines 1-2.

The chairperson testified that she had not seen a single report that had been prepared by Mendola.

The chairperson was unaware of any safeguards the Board takes to protect the confidentiality of taxpayer records. She testified as follows:

Q. Do you know if the Board of Tax Assessors takes any steps to preserve the confidentiality of any records a taxpayer produces?

A. I don't know.

Q. You don't know of any policies that the Board has in place?

A. I'm not aware, huh-uh.

Q. So you don't know if the Board prohibits an outside auditor from making copies, from distributing them to other people? You just don't have any idea?

A. I have no idea.

Deposition of Chairperson Smith, p. 30, lines 2-12.

The Board acknowledges that it has no control over what Mendola does with the taxpayer's documents it receives. Documents and subpoenas prepared by Mendola are perfunctorily signed by the chairperson without meaningful inquiry. She testified:

Q. Did you ask any questions when they presented the subpoena to you about what it was for?

A. Uh-huh.

Q. What did you ask?

A. What was it for?

Q. What did they tell you?

A. Subpoena for the production of evidence.



Q. Did you ask why it was necessary?

A. No.

Q. Did you ask what documents they wanted?

A. No.

Q. Did you ask if the taxpayer made any objection to producing the stuff? . . .

A. No.

Q. Were you told that?

A. No.

Deposition of Chairperson Smith, p. 20, line 25, and p. 21, lines 1-17.



After the account has been selected for an audit, notification must be provided to the owner.

(i) Notice to property owner. The lead appraiser shall ensure the property owner is sent a notice they have been selected for an audit of their personal property holdings for ad valorem tax purposes. The notice shall, at a minimum, indicate the following: the purposes and goals of the audit and the law authorizing the audit; the name of the lead appraiser who is primarily responsible for the conduct of the audit; the names of the members of the audit team that will be performing the audit; the number of years that will be audited; a description of the type records that should be made available; a description of how the audit will be conducted; the range of dates desired for the audit; and contact information should the property owner wish to contact the lead appraiser. The notice shall contain a statement that the lead appraiser will be contacting the property owner by telephone to establish the date and time of the audit and to determine the availability and location of records. At the conclusion of the audit, if there is sufficient evidence to warrant a recommended change of assessment, the lead appraiser shall have prepared a list of preliminary audit findings and provide such list to the property owner to afford them an opportunity to meet and discuss the findings and view any supporting schedules and documents relied upon by the individuals conducting the audit. After any such meeting requested by the property owner, the lead appraiser shall have prepared the final audit report and proposed assessment and provide a copy to the property owner and the board of tax assessors.



Notification Letter Sample

«Date»

Audit Notice to Property Owner

«Title» «First Name» «Last Name»
«Company Name»
«Address Line 1»
«Address Line 2»
«City», «State» «ZIP Code»

Dear «Title» «Last Name»:

This letter is to inform you that the [County Name] Business Personal Property Tax Returns for «Company Name» («Account ») have been selected for audit by the [County Name] Board of Tax Assessors for the year(s) «Years To Be Audited» in accordance with O.C.G.A. 48-5-299.

The purpose of this audit is to gather information that will allow [County Name] to make an accurate determination of the fair market value of the property owned by «Company Name» and subject to taxation. This desk audit will consist of an examination of your records in order to make an independent determination of the fair market value of such property where such determination does not solely depend upon good-faith disclosures and information that is readily ascertainable by the appraisal staff. The [County Name] Board of Tax Assessors requests your prompt compliance in providing the requested information so that the audit can be brought to a timely conclusion.

The audit will include reconciliation between the cost listed on the personal property tax return and the cost identified in the financial records of the business. The audit may also include a review of the applicable items listed on the Attachment I enclosed with this letter. Please provide the applicable financial records to our office as soon as possible. Electronic documents may be submitted. When providing electronic documents, we request that the Fixed Asset listing be in an Excel format when possible. In addition, a physical inspection of your [County Name] operations may be required.

The [County Name] Board of Tax Assessors has designated the undersigned as the Lead Appraiser for this audit. Please forward your initial electronic documents and/or communication to [Lead Appraiser Contact Information]. [Lead Appraiser Name], our [County Name] Personal Property Auditor, will be your main point of contact during the audit process. We will expedite all efforts to ensure that the audit is completed promptly and with as little interruption to your business as possible.

Thank you in advance for your cooperation. Please do not hesitate to contact this office if you have any questions about this program.

Sincerely,
Personal Property Division Manager
Attachment



Notification Letter Attachment Sample

Attachment I

Records Request for Personal Property Tax Return Reviews

Please note that the Business Personal Property Tax Return is based on records as of December 31 of the previous year. EXAMPLE: A 2014 return utilizes account balances as of December 31, 2013.

If records are based on a fiscal year end other than December 31 items 1b, 1c and 1d below may be represented as of the company's fiscal year end. Items 1f and 1g should reflect account balances as of December 31 for each year under audit.

1. Copies of the following documents as of December 31, 2013, 2012, 2011 and 2010, if applicable:
 - a. Chart of accounts
 - b. Fixed asset listing for each year, including each years book depreciation expense (Book Depreciation Schedule)
 - c. Financial statements (Detailed Balance Sheet, Detailed Income Statement with footnotes)
 - d. Lease agreements in effect for all personal property and the physical location
 - e. Detailed Trial Balance which reflects the ending account balances for the audit location.
 - f. Listing of any consigned inventory or any other inventory stored and owned by someone other than the company
 - g. Summary listing of costed inventory as of December 31, 2013, 2012, 2011 and 2010.

2. At your option and for your convenience, you may submit copies of the documents listed below from your federal and state income tax returns. Since these documents summarize information we will definitely need, they will expedite our review of your records and may minimize the accounting records you would otherwise have to produce. Submitting income tax returns is voluntary on your part, however, as Georgia Law does not permit the Board of Assessors to compel the submission of such returns. Your decision not to submit such returns will not jeopardize your entitlement to a fair audit.
 - a. Copy of your Georgia Corporate Income Tax Return (Form 600) with supporting schedules for the Apportionment Schedule contained on page 2 for the year(s) 2013, 2012, 2011 and 2010.
 - b. Complete copy of your Corporate Federal Income Tax Returns including Depreciation Schedules and Attachments for the year(s) 2013, 2012, 2011 and 2010.



When the appraisal staff does not have the property owner's full cooperation the use of subpoena power may be necessary.

BOARD OF TAX ASSESSORS

For _____ County, Georgia

Subpoena

To:

You are hereby commanded, that laying all other business aside, you be and appear at the Office of the _____ County Board of Tax Assessors, Room _____ Building, _____, Georgia, on The _____ day of _____ 20 ____ at _____ O'clock for the purpose of attending a hearing convened at said in Connection with the Board's investigation of the tax liability of _____ for the tax years _____.

Should you fail to appear at the aforesaid time and place without legal excuse, you shall be guilty of contempt and shall be cited by the board of Tax Assessors to appear before a judge of the Superior Court of _____ County, Georgia.

You are hereby commanded to bring with you and to produce at the aforesaid time and place those documents and things listed and/or described below and made part hereof by reference.

Copies of all subpoenaed documents will be made during said hearing and will become a part of the taxpayer's assessment file. All subpoenaed documents will be considered confidential and will not be open for public inspection.

If you prefer that no hearing be held, you will submit to this office copies of those documents and things listed one business day prior to the scheduled hearing date, then the hearing will be cancelled, and it will not be necessary for you to appear.

This Subpoena is being listed pursuant to Georgia Code Annotated 48-5-300. This _____ day of _____, 20 _____ County Board of Tax Assessors.

By: _____



(i) Use of subpoena. The appraiser should request the board of tax assessors to subpoena, within the limitations of their subpoena powers, any existing documents the property owner fails to provide voluntarily, when these documents are deemed by the appraiser to be critical to the audit. Since the appraiser may not request a subpoena for documents that do not presently exist in the format needed, the appraiser should seek existing documents held by the property owner and solicit the owner's voluntary cooperation in obtaining these documents.

Subpoena Requirements

1. The subpoena must be signed by the board of tax assessors.
2. The respondents must be given 5 days to produce said documents.
3. A hearing must be scheduled.

JUDICIAL DECISION

Fulton County Bd. of Assessors v. Saks Fifth Ave., 248 Ga. App. 836 (2001)

PROCEDURAL POSTURE: Appellant's agent, auditing appellee's tax returns, did not agree to keep appellee's information confidential. Appellee did not honor appellant's subpoena. Appellee sought a protective order, in the Fulton County Superior Court (Georgia), and appellant issued a contempt citation. The trial court did not hold appellee in contempt and granted the protective order. Appellant sought review.

OVERVIEW: Appellant could only access a taxpayer's confidential business records in an on-premise investigative audit pursuant to Ga. Code Ann. § 48-5-299, or to subpoena those records authorized by Ga. Code Ann. § 48-5-300 to a hearing. The Due Process Clauses of U.S. Const. amend. XIV and Ga. Const. art. I, § 1, Par. 1 (1976) required notice and a hearing by an administrative agency before action could be taken affecting a citizen's constitutional or property rights. Appellant had no authority to issue subpoenas for discovery purposes in connection with tax audits pursuant to § 48-5-299 or to require a taxpayer to produce copies of records for appellant's use, except by subpoena under § 48-5-300. A contractor retained by a board of assessors to conduct an audit could access confidential materials essential to the performance of the contract. The issuance of a protective order, until the parties executed a confidentiality agreement, was error, but the trial court had full authority to determine what restrictions and limitations were appropriate under the circumstances. Appellant could only use appellee's information for purposes specified by law.



OUTCOME: The trial court's order was vacated and the case remanded for further proceedings because the trial court's protective order was premature, without a confidentiality agreement being entered into by the parties. Appellant's only authority to access appellee's records was for an on-site audit or by subpoena to a lawfully scheduled hearing.

Presley v. Payne, 163 Ga. App. 89, 294 S.E.2d 199 (1982)

Application for contempt brought against taxpayer under subsection (b) was properly denied where not hearing was scheduled in which taxpayer was required to appear but county board of tax assessors merely sought examination of certain documents pursuant to investigation of tax liability for particular year.

What is **CONTEMPT**?

Contumacy; a willful disregard of the authority of a court of justice or legislative body or disobedience to its lawful orders. Contempt of court is committed by a person who does any act in willful contravention of its authority or dignity, or tending to impede or frustrate the administration of justice, or by one who, being under the court's authority as a party to a proceeding therein, willfully disobeys its lawful orders or fails to comply with an undertaking which he has given.

Black Law Dictionary

On the other hand, a taxpayer maybe found in contempt of court for failing to provide documents or information subpoenaed by the County Board of Tax Assessors where a hearing was scheduled.



IN THE SUPERIOR COURT OF MILLER COUNTY,

STATE OF GEORGIA

MILLER COUNTY BOARD OF TAX ASSESSORS, *

Plaintiff *

vs. *

CIVIL ACTION NO. 2012-V-083

LANES PHARMACY-DME, INC., *
PHILLIPS AUTO PARTS, INC., *
JOHN B. GRANT dba AUTO IMAGES *
PAINT & COLLISION, VICKIE *
WHITTAKER dba BLOOMING *
BUSINESS, YATES CONCRETE *
PRODUCTS, INC., and COLQUITT *
FUNERAL HOME, INC., *

Respondents *

O R D E R

The above and foregoing case having come on for hearing before the Court, pursuant to rule nisi issued by the Court, and with direction that Respondents show cause before the Court on the 1st day of June, 2012, why they should not be held in contempt of court, pursuant to O.C.G.A. §48-5-300(b), for failing to provide documents and information subpoenaed by the Miller County Board of Tax Assessors; and

After hearing the evidence, the Court makes the following findings:



FINDINGS

1.

All Respondents herein have been served with summons and notice of this hearing and all Respondents appeared.

2.

Each of the Respondents were served with subpoena issued in the name of the Board of Tax Assessors, Miller County, which subpoena was properly signed by the Board and which subpoena gave to Respondents more than five (5) days, before the day upon which the Board scheduled the day which Respondent was to produce said documents. The principal shareholder for Lanes Pharmacy is Larry Lane; Phillips Auto Parts - Maston O. Phillips; Yates Concrete - W. C. Yates; and Colquitt Funeral Home - Danny Sheffield.

3.

All Respondents were served with a subpoena to produce:

- (a) Complete trial balances from their General Ledger as of 12/31/07, 12/31/08, 12/31/09, and 12/31/10 and, if available, profit and loss statements for their business;
- (b) Depreciation schedules or asset listings for the years 2007, 2008, 2009, and 2010;



- (c) Any audited financials for the same time period;
and
- (d) Any leases for equipment for the same time period.

4.

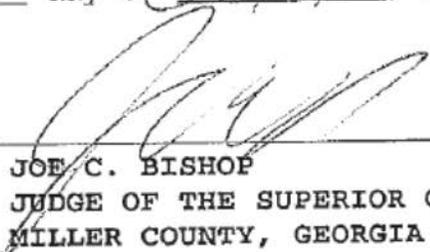
The Respondents failed or refused either to appear or produce the above identified documents and none of the Respondents has presented a legal excuse which would relieve Respondents of the obligation to produce such documents to the Board of Tax Assessors.

THEREFORE, based on the above and foregoing facts, and pursuant to the authority of East Gas, Inc., et al. v. Johnson County Board of Tax Assessors, 264 Ga. App. 316, the Court finds that each of the Respondents or their principal shareholders are in contempt of this Court, pursuant to the above said statute, and Respondents can purge themselves of this contempt by producing said documents to the Miller County Board of Tax Assessors, within ten (10) days of the date of this Order. If Respondents fail and refuse to provide said documents within the time provided, then the Sheriff of Miller County, Georgia, is ordered and directed to arrest said Respondents and hold them in the Miller County Jail until Respondents provide said documents and pay the sum of \$250.00 each for the costs, fees, and



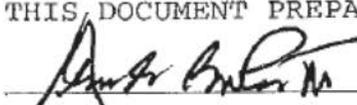
expenses of the Miller County Board of Tax Assessors in having to bring this proceeding.

SO ORDERED, this 19th day of October, 2012.



JOE C. BISHOP
JUDGE OF THE SUPERIOR COURT
MILLER COUNTY, GEORGIA
PATAULA JUDICIAL CIRCUIT

THIS DOCUMENT PREPARED BY:



Jesse G. Bowles, III
Attorney at Law
P.O. Drawer 99
Cuthbert, Georgia 39840
(229) 732-2222
bowles3@windstream.net



CERTIFICATE OF SERVICE

This is to certify that a true copy of the within order has been served upon the Defendants by mailing a true copy of the same to Ryan C. Cleveland, Attorney at Law, 113 W. Water Street, Bainbridge, Georgia 39817 by depositing the same in the United States mail with sufficient postage attached.

This the 22nd day of October, 2012.



JESSE G. BOWLES, III
Attorney for Plaintiff

Ms. Deborah Pearce
Clerk, Miller County Commissioners
179 South Cuthbert Street
Colquitt, GA 39837

Ms. Tammy Ivy
Tax Assessor
111 North First Street
Colquitt, GA 39837

RE: Board of Tax Assessors - Contempt Action

Dear Deborah and Tammy:

Enclosed please find order ruling in favor of the Assessor. I am sending this to counsel for the taxpayers in hopes that he will get his clients to comply. If they do not comply within 10 days of the filing date, the order and notice of noncompliance should be delivered to the Sheriff. If there are any questions, please let me know.

Sincerely Yours,


JESSE G. BOWLES, III



What documents can and cannot be subpoenaed?

(f) Property owner records. The appraisal staff should first endeavor to obtain the records necessary to substantiate the information returned or reported by the property owner through the voluntary cooperation of the property owner. When such voluntary cooperation is not forthcoming, and the records requested from the property owner are believed by the appraiser to be critical to a proper appraisal of the personal property, the appraiser may request that the board of tax assessors issue an appropriate subpoena for such records. The appraiser may request that the board of tax assessors issue an appropriate subpoena for the testimony of any individuals the appraiser believes poses knowledge critical to determination of the fair market value of the property owner's personal property.

1. Record types. The types of records the appraisal staff may request the board of tax assessors to issue subpoenas for include, but are not limited to, the following: chart of accounts, general ledger, detailed subsidiary ledgers, journals of original entry, balance sheet, income statement, annual report, Securities Exchange Commission Form 10K. The types of records the appraisal staff may not request the board of tax assessors to issue subpoenas for include the following:

(i) Income tax returns. Forms and schedules authorized by the Internal Revenue Service or the revenue collecting agencies of the several states for use in filing income tax returns to those agencies;

(ii) Property appraisals. A property appraisal that the property owner has obtained prior to any appeal that is filed as a result of a change of assessment being made to the property owner's personal property;

(iii) Insurance policies. An insurance policy that may contain valuation estimates of the insured personal property; or

(iv) Tenant sales information. A rent roll or document containing the individual tenant sales information on the property owner's rented or leased personal property.



Chart of Accounts (COA)

COA is a numerical listing of the names of all the accounts used by an organization. Different type of businesses will have different accounts customized to meet the needs of the business (i.e. service business, merchandising business or manufacturing business). The COA is a starting point for the appraiser to substantiate personal property returned or discover inventory, MEFF and other taxable personal property not reported by the property owner. If the books are properly kept, the taxpayer will have an account representing assets acquired, disposed and leased.

Manufacturing Business

<p style="text-align: center;">10000 Assets</p> <p>11000 Cash Accounts 12000 Inventory 13000 Accounts Receivable 15100 Office Equipment (OE) 15200 Accumulated Depreciation – OE 17000 Land</p>	<p style="text-align: center;">40000 Revenues</p> <p>41000 Sales 41200 Gains on Assets Sales</p>
<p style="text-align: center;">20000 Liabilities</p> <p>21000 Credit Cards 21100 Gas 23000 Accounts Payable</p>	<p style="text-align: center;">50000 Cost of Goods Sold</p> <p>55000 Materials & Supplies</p>
<p style="text-align: center;">30000 Equity</p> <p>31000 Paid in Capital</p>	<p style="text-align: center;">60000 Expenses</p> <p>61000 Advertising 61200 Car & Truck Expense 61300 Commissions Paid 61500 Depreciation Expense 61600 Loss on Asset Sales</p>

Service Business

<p style="text-align: center;">Assets (100-199)</p> <p>111 Cash 112 Accounts Receivable 113 Office Supplies 116 Office Equipment 117 Office Furniture 118 Leasehold Improvements</p>	<p style="text-align: center;">Revenue (400-499)</p> <p>411 Service Revenue</p>
<p style="text-align: center;">Liabilities (200-299)</p> <p>211 Accounts Payable</p>	<p style="text-align: center;">Expenses (500-599)</p> <p>511 Rent Expense 512 Repairs Expense</p>
<p style="text-align: center;">Owner's Equity (300-399)</p> <p>311 Owner's Capital 312 Owner's Drawing</p>	



Journal of Original Entry

A journal is the first formal recording of a business transaction. The journal provides a complete record of each transaction in chronological order. There are several features of the journal that are important to the appraiser. The date column which records the date the transaction occurs, the account title column which records the name of the account affected by the transaction and the two money columns labeled debit and credit used to record the dollar amount of the transaction.

The purchase of office equipment, office supplies, and medical supplies recorded in this journal entry are of interest to the personal property appraiser. If books are kept properly, the general journal can substantiate the acquisition or disposal date, the description of the personal property and the cost. Questionable recorded transaction amounts should be cross-referenced with source documents (i.e. purchase orders, invoices) to remove any trade and cash discounts.

	Date		Account Title	P.R.	Debit					Credit					
1	2014	1	Rent Expense	512		9	5	0	00						1
2			Cash	111							9	5	0	00	2
3			Paid office rent for month.												3
4															4
5		2	Office Equipment	117	6	0	0	0	00						5
6			Accounts Payable	211						6	0	0	0	00	6
7			Purchased office equipment												7
8			on account.												8
9		4	Office Supplies	112		6	0	0	00						9
10			Accounts Payable	211						6	0	0	0	00	10
11			Purchased office supplies												11
12			on account.												12
13		6	Medical Supplies	113	1	2	0	0	00						13
14			Cash	111						1	2	0	0	00	14
15			Paid cash for medical supplies.												15
16		7	Laboratory Fees Expense	514		2	6	5	00						16
17			Cash	111						2	6	5	00		17
18			Paid cash for lab analysis.												18
19		9	Salary Expense	511	1	5	0	0	00						19
20			Cash	111						1	5	0	0	00	20
21			Paid salaries of employees.												21



Detailed Subsidiary Ledger & General Ledger

To obtain a summary of the information recorded in the journal, the information must be transferred from the journal to the detailed subsidiary ledgers or the general ledger controlling account. The process of transferring amounts from the journal to the ledger is called *posting*. Subsidiary ledgers contain the details to support a general ledger control account. Subsidiary ledgers are useful when there are multiple similar accounts like accounts receivable (customer A, customer B, etc) or accounts payable (i.e. Creditor A, Creditor B, etc.) or inventory (Product A, Product B, etc.). These subsidiary ledgers should be reconciled to related general ledger controlling account.

Subsidiary ledgers can serve as a prime source when the personal property appraiser is verifying figures on schedules and Freeport applications. For example, inventory subsidiary ledgers can be separately prepared for different inventory types (i.e. raw materials, work in process, finished goods, spare parts) and contain aggregate amounts for raw material, transfers to finished goods, etc. If a perpetual inventory system is used, the amount of each type of inventory should be available in a subsidiary inventory ledger as of the valuation date.

ACCOUNT *Cash*

ACCOUNT NO. 111

DATE		ITEM	P.R.	DEBIT				CREDIT				BALANCE							
												DEBIT		CREDIT					
2014 Dec.	1	Balance	√									10	0	0	0				
	1		GJ17					9	5	0	0	9	0	5	0				
	6		GJ17					1	2	0	0	7	8	5	0				
	7		GJ17					2	6	5	0	7	5	8	5				
	9		GJ17					1	5	0	0	6	0	8	5				
	11		GJ17					2	0	0	0	4	0	8	5				
	12		GJ17					3	0	0	0	3	7	8	5				
	21		GJ18					2	3	5	0	3	5	5	0				
	25		GJ18					3	4	5	0	3	2	0	5				
	28		GJ18					2	2	0	0	1	0	0	5				
	29		GJ18						5	0	0	9	5	5	0				
	29		GJ18						9	0	0	8	6	5	0				
	30		GJ18	9	5	6	0					10	4	2	5				
	30		GJ18					1	5	8	0	8	8	4	5				
	30		GJ18					1	9	0	0	8	6	5	5				

**Balance Sheet**

The balance sheet is one of the major financial statements used by business owners. It is described as a snapshot of the company financial position at a point in time. For example, the amounts reported on a balance sheet dated December 31, 2014 reflect that instant when all the transactions through December 31 have been recorded. Due to that reason, it's a great source for a personal property appraiser in determining what a business actually owns as of the date of valuation.

Ming Manufacturing Company			
Balance Sheet			
December 31, 2014			
Assets			
Current Assets			
Cash		\$18,200	
Accounts Receivable	\$66,100		
Less allowance for doubtful accounts	\$1,500	\$64,600	
Finished Goods		\$91,000	
Work in process		\$65,800	
Direct materials		\$58,725	
Factory supplies		\$1,800	
Prepaid insurance		\$1,259	
Total Current Assets			\$301,384
Non-current Assets			
Land		\$50,000	
Buildings	\$240,000		
Less Accumulated Depreciation	\$36,000	\$204,000	
Factory Equipment	\$446,000		
Less Accumulated Depreciation	\$133,809	\$312,191	
Total Non-current Assets			\$566,191
Total Assets			\$867,575
Liabilities			
Accounts Payable		\$45,600	
Wages and Salaries Payable		\$5,450	
Income Tax Payable		\$13,200	
Total Liabilities			\$64,250
Stockholders' Equity			
Common stock, \$10 par		\$200,000	
Retained earnings		\$603,325	
Total stockholders' equity			\$803,325
Total liabilities and stockholder's equity			\$867,575



Income Statement

The income statement shows a summary of a business' revenue and expenses for a specific period of time such as a month or a year. The personal property appraiser can review the income statement to determine if the business is leasing any property, material and supplies actually used by the business, repairs and maintenance costs that improve service potential or extend economic life of an asset.

ABC Company Income Statement For the Month Ended December 31, 2014		
Fees earned		\$7,500
Operating expenses:		
Wage expense	\$2,125	
Rent expense	800	
Supplies expense	800	
Utilities expense	450	
Miscellaneous expense	275	
Total operating expenses		\$4,450
Net income		\$3,050



Annual Report & Securities Exchange Commission Form 10-K

An annual report to shareholders is often a “glossy” document that must be sent to the company’s shareholders when it holds an annual meeting to elect directors. A Form 10-K is an annual report required by the U.S. Securities and Exchange Commission (SEC) that is a comprehensive report used by public companies to disclose a company’s activities throughout the preceding year to their shareholders. The annual report to shareholders and the annual report on Form 10K are two distinct documents even though some companies combine both documents into one. Annual reports are intended to give shareholders and other interested people information about the company’s activities and financial performance.

An understanding of the taxpayer’s business and industry is crucial in order for an appraiser to conduct an adequate review of a return. Annual reports and Form 10--Ks can provide a wealth of qualitative and quantitative information to an appraiser about the company’s business processes and operations such as locations, raw materials used in the manufacturing process, the various products produced by the company, year-end information on finished goods, contractual obligations for leasing and purchasing, methodology utilized to determine the cost of inventory and depreciate leasehold improvements, machinery and equipment. It would be advantageous to the appraiser to review annual reports if available. A variety of annual reports searchable by exchange, industry, sector or alphabet can be found at www.annualreports.com



United States
Securities and Exchange Commission
Washington, DC 20549

FORM 10-K

Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended December 31, 2013.

or

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from _____ to _____.

Commission file number 001-34874

Coca-Cola Enterprises, Inc.

(Exact name of registrant as specified in its charter)

Delaware

27-2197395

(State or other jurisdiction of incorporation or organization)

(IRS Employer Identification No.)

2500 Windy Ridge Parkway, Atlanta, Georgia 30339

(Address of principal executive offices, including zip code)

(678) 260-3000

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Name of each exchange on which registered</u>
Common Stock, par value \$0.01 per share	New York Stock Exchange (NYSE), NYSE Euronext Paris

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Act. (Check one)

Large accelerated filer Accelerated filer
Nonaccelerated filer Smaller reporting company

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Securities Exchange Act). Yes No

The aggregate market value of the registrant's common stock held by non-affiliates of the registrant as of June 28, 2013 (assuming, for the sole purpose of this calculation, that all directors and executive officers of the registrant are "affiliates") was \$9,336,470,064 (based on the closing sale price of the registrant's common stock as reported on the New York Stock Exchange).

The number of shares outstanding of the registrant's common stock as of January 24, 2014 was 255,546,081.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Proxy Statement for the Annual Meeting of Shareowners to be held on April 22, 2014 are incorporated by reference in Part III.



CONFIDENTIALITY OF DATA

§ 48-5-314. Confidentiality of taxpayer records; exceptions; penalties

(a) (1) All records of the county board of tax assessors which consist of materials other than the return obtained from or furnished by an ad valorem taxpayer shall be confidential and shall not be subject to inspection by any person other than authorized personnel of appropriate tax administrators. As an illustration of the foregoing, materials which are confidential shall include, but shall not be limited to, taxpayers' accounting records, profit and loss statements, income and expense statements, balance sheets, and depreciation schedules. Such information shall remain confidential when it is made part of an appeal file. Nothing in this Code section, however, shall prevent any disclosure necessary or proper to the collection of any tax in any administrative or court proceeding.

(2) Records which consist of materials containing information gathered by personnel of the county board of tax assessors, such as field cards, shall not be confidential and are subject to inspection at all times during office hours. The provisions of this paragraph shall not remove the confidentiality of materials such as are specified in paragraph (1) of this subsection.

(3) Failure of the county board of tax assessors to make available records which are not confidential as provided in paragraph (2) of this subsection shall be a misdemeanor.

(b) Any person who knowingly and willfully furnishes information which is confidential under this Code section to a person who is not authorized by law to receive such information shall upon conviction be subject to a civil penalty not to exceed \$1,000.00.

Who are appropriate tax administrators?

- 1.
- 2.
- 3.
- 4.
- 5.
- 6.



2. Contracts with auditing specialists. The appraiser shall secure non-disclosure statements from any contracted audit specialist to ensure that such specialist shall conform with the confidentiality provisions of Code section 48-5-314 and shall not disclose the property owner's confidential records to unauthorized persons or use such confidential records for purposes other than the county's review for ad valorem tax purposes of the tax return and supporting documentation. The appraisal staff shall provide a copy of such non-disclosure statement to the property owner upon such owner's request. The appraiser shall not recommend to the board of tax assessors any contract or agreement with an audit specialist that provides for such specialist to contingently share a percentage of the tax collected as a result of any audits such specialist may perform.

JUDICIAL DECISION

ECKERD CORPORATION v. FAYETTE COUNTY BOARD OF TAX ASSESSORS.
A95A2598.

COURT OF APPEALS OF GEORGIA

220 Ga. App. 454; 469 S.E.2d 285; 1996 Ga. App. LEXIS 111; 96 Fulton County D. Rep.
639

February 8, 1996, Decided

BLACKBURN, Judge.

The Eckerd Corporation appeals the order of the trial court finding it in contempt of court, and, as punishment, directing it to pay the sum of \$ 750 to the Fayette County Board of Tax Assessors (Board) for failure to produce certain tax records in accordance with a Board subpoena issued pursuant to O.C.G.A. § 48-5-300 (a).

The record reflects that the Board subpoenaed Eckerd's 1992 through 1994 personal property tax returns. Eckerd refused to release such records in the absence of the Board's assurances that they would not be made available to Mendola & Associates, a company under contract to the Board to audit such taxpayers as designated by the Board and also under contract to provide similar services to other county tax assessors. Upon Eckerd's refusal to comply with the subpoena unconditionally, the Board voted unanimously to require Eckerd to appear before the trial court to show cause why it should not be punished for contempt.

1. Eckerd contends that the Board's subpoena is improper as an audit for the purpose of assessing additional personal property taxes against it. We disagree.

It is well-settled that tax assessors may assess unreturned tangible property for ad valorem tax purposes during the applicable seven-year period of limitation. *Ga. R. & Co. v. Wright*,



124 Ga. 596, 599 (53 S.E. 251) (1905); *Suttles v. Dickey*, 192 Ga. 382, 383 (15 S.E.2d 445) (1941); *Garr v. E. W. Banks Co.*, 206 Ga. 831, 832 (59 S.E.2d 400) (1950); and see generally Op. Atty. Gen. U87-13. In this regard, O.C.G.A. § 48-5-299 (a) pertinently provides that it is "the duty of the county board of tax assessors to . . . ascertain[] what real and personal property is subject to taxation in the county and to require the proper return of the property for taxation." It further provides that "in all cases where the full amount of taxes due the state or county has not been paid, the board shall assess against the owner, if known, and against the property, if the owner is not known, the full amount of taxes which has accrued and which may not have been paid at any time within the statute of limitations." O.C.G.A. § 48-5-305 (a), in turn, authorizes county boards of tax assessors to determine the manner of ascertaining the assessment of any real or personal property not appearing in the digest for any time within the period of limitation. As the proposed audit is directed not at reassessing property already valued, and upon which taxes have already been paid, but rather is directed at the discovery of property, if any, which has not been returned and upon which taxes have not been paid, it is a proper means of determining unreturned property tax liability at any time within the applicable seven-year period of limitation. Accordingly, we deem this enumeration of error to be without merit.

2. Eckerd further enumerates that the trial court erred by finding that the Board properly contracted Mendola to provide it audit services. In this regard, Eckerd argues that having Mendola audit its personal property was an impermissible delegation of the Board's assessment duty found in O.C.G.A. § 48-5-298 (a) and improper as violative of its right to confidentiality under O.C.G.A. § 48-5-314 in that Mendola was under contract to provide similar services to other county boards of tax assessors.

The Supreme Court of Georgia has held that O.C.G.A. § 48-5-298 (a) (3) "expressly allows the Board . . . to contract with entities, such as [Mendola], to 'search out and appraise unreturned properties in the county.'" *Sears, Roebuck & Co. v. Parsons*, 260 Ga. 824, 825 (401 S.E.2d 4) (1991). The Board properly contracted for Mendola's services in order to aid it in discovering unreturned and untaxed property, not to aid it in further taxing property already assessed. Division 1, *supra*. No delegation of the Board's duty to require the proper return of personal property for taxation is indicated in the record. There being no delegation of the Board's authority and audit services having been properly contracted, the claim that the Board impermissibly delegated its authority cannot stand.

Eckerd's confidentiality argument is flawed as well. O.C.G.A. § 48-5-314 (a) (1) allows personnel authorized by appropriate tax administrators to access materials otherwise protected as confidential thereunder. **It is settled that boards of tax assessors have authority to contract for audit services.** O.C.G.A. § 48-5-298 (a) (3); *Sears, Roebuck*, *supra*. It necessarily follows that to enter into such a contract "authorizes" the contractor access to confidential materials essential to the performance of the contract. Significant as well, the Board's authority to contract for services in O.C.G.A. § 48-5-298 (a) is not restricted to persons or entities not otherwise under contract to provide such services. In this regard, O.C.G.A. § 48-5-298 (b) permits county boards of tax assessors to enter into



contracts "with any municipality or political subdivision of the state to provide any information for which the board could contract pursuant to subsection (a)" thereof. Further, while O.C.G.A. § 48-5-314 (a) (1) allows authorized personnel access to confidential materials, subsection (b) makes the disclosure of confidential materials to unauthorized persons subject to a civil penalty not to exceed \$ 1,000. Thus, in the absence of Mendola's disclosure of confidential materials to unauthorized persons, no breach of the duty of confidentiality arises. Such a claim is not before us. Accordingly, we deem this enumeration of error to be without merit.

3. Eckerd last contends that the trial court erred by awarding the Board attorney fees in that such fees are impermissible as punishment for contempt.

It is uncontroverted in the record that the trial court found Eckerd in contempt of court for failure to comply with the Board's subpoena and punished the contempt by its order directing Eckerd to pay the Board its attorney fees of \$ 750. Attorney fees are not authorized by law for contempt. O.C.G.A. § 15-6-8; *Ragsdale v. Bryan*, 235 Ga. 58, 59 (218 S.E.2d 809) (1975); *Carter v. Carter*, 241 Ga. 335, 336 (245 S.E.2d 292) (1978). We conclude that the trial court did not err in holding Eckerd in contempt, but did err in imposing attorney fees as punishment therefor. Accordingly, we affirm the judgment with direction that the amount awarded as attorney fees be stricken. *Ragsdale*, supra.

Judgment affirmed with direction. Beasley, C. J., Birdsong, P. J., Pope, P. J., Andrews, Johnson, Smith and Ruffin JJ., concur. McMurray, P. J., dissents.



As previously discussed, subpoena powers maybe necessary to obtain the owners financial records and auditors contracted by a county must adhere to confidentiality provisions.

JUDICIAL DECISION

BLACKBURN, Chief Judge.

The Fulton County Board of Assessors (Board) appeals the trial court's grant of Saks Fifth Avenue, Inc.'s (Saks) motion for a protective order in connection with a personal property tax audit of its Fulton County location for tax years 1995 through 1998. The order allowed Saks to withhold confidential documents subpoenaed by the Board until such time as Mendola & Associates, LLC (Mendola), the private accounting firm hired by the Board to conduct the audit, entered into a confidentiality agreement concerning such documents with Saks.

In seven enumerations of error, the Board raises the following three arguments: (1) The trial court erred in granting Saks' motion for protective order because the confidentiality of the subpoenaed documents is protected under O.C.G.A. § 48-5-314, under the employment contract between Mendola and Fulton County, and by Mendola's responsibilities as a certified public accounting firm; (2) The trial court erred in finding both that Saks was not in contempt for failure to honor the Board's O.C.G.A. § 48-5-300 subpoena and that Saks' fear of disclosure of the confidential documents to third parties constituted a legal excuse which relieved it from complying with the subpoena; and (3) The trial court erred in failing to follow *Wal-Mart Stores v. Bd. of Tax Assessors of Fayette County*¹ and in ignoring the public policy implications of its ruling.

These issues turn on the underlying question of the authority of the Board to require the production of a taxpayer's confidential documents for investigative purposes. Also in question is the Board's right to seek contempt sanctions as a result of Saks' failure to honor the subject subpoena under the facts herein and the general authority of the trial court to issue a protective order. For the reasons set forth below, we vacate the trial court's ruling and remand the case for further proceedings consistent with this opinion.

Turning to the facts, Saks, an Alabama corporation, operates a department store in Fulton County, Georgia. In June 1999, the Board notified Saks that it was going to conduct a personal property audit of Saks' personal property tax returns for tax years 1995 through 1998. The Board assigned the audit to Mendola, an accounting firm with whom it had a contract to conduct such audits.

The Board is authorized to make such investigation as may be necessary to inquire into real and personal property owned in the county, to determine upon which such property all taxes due the state or the county have not been paid in full. See O.C.G.A. § 48-5-299. The Board is authorized to enter into employment contracts with persons, subject to the approval of the county governing authority, to assist the Board in the mapping, platting, cataloging, indexing, and appraising of taxable properties in the county; to make, subject to



the approval of the Board, reevaluations of taxable property in the county; and to search out and appraise unreturned properties in the county. See O.C.G.A. § 48-5-298. In *Eckerd Corp. v. Fayette County Bd. of Tax Assessors*,² this court, relying upon our Supreme Court's holding in *Sears, Roebuck & Co. v. Parsons*,³ affirmed the right of the board of tax assessors to contract for third-party services pursuant to O.C.G.A. § 48-5-298 .

In conducting the audit, Mendola requested that Saks produce certain financial and proprietary information or copies thereof. We note that Mendola, when acting as the agent of the Board, has no greater authority than the law provides to the Board. Saks responded that it would do so only if Mendola would sign a confidentiality agreement to protect the information. Saks sought agreement by Mendola that it would not disclose any information obtained by Mendola from it to any third parties and that Mendola would not use such information for any purposes other than conducting the subject audit, which conduct is prohibited by statute. Saks also requested that the Board and Mendola would return to Saks all information provided by it once the audit was completed. While this document return is not specifically required by statute, any other use of such documents or disclosure to third parties would be a violation of the law. Mendola refused to sign the agreement and insisted that Saks produce the documents although it had no lawful authority to do so.

Because Saks would not turn over the proprietary documents Mendola wished to review, the Board then served Saks with a subpoena, pursuant to O.C.G.A. § 48-5-300 (a) (1), in the nature of a discovery vehicle, for the production of the documents which Mendola wished to review in connection with Fulton County personal property account no. 0015407 and what the subpoena described simply as "a matter there pending."

No on-premise review of documents had been attempted at that time, and no claim has been made by the Board evidenced through the record of this appeal of any failure of Saks to report property or to pay taxes. There was no hearing scheduled at 9:00 a.m. on October 14, 1999, the time the production of the proprietary documents was required at the Fulton County Board of Assessors' Office, 141 Pryor Street, S.W., Suite 1047, Atlanta, Georgia 30303, under the subpoena. This was the only location at which the taxpayer could be required to produce any lawfully required documents.

It is clear that no hearing was in fact scheduled in connection with the subject subpoena. The subpoena refers to no hearing, and the record contains no notice to the taxpayer of the claims of the Board as to taxes owed or laws violated, the subject matter of the hearing, or the date thereof. The due process clauses of U. S. Const., Amend. XIV, and Ga. Const. 1976, Art. I, Sec. I, Par. I (see Ga. Const. 1983, Art. I, Sec. I, Par. I) require notice and a hearing by an administrative agency before any action may be taken which affects a citizen's constitutional or property rights, even though the Act granting the right to the Board provides for an appeal to the superior court. 1958-59 *Op. Atty. Gen.*, p. 1.

The Board has only that authority provided by law to access a taxpayer's confidential business records in the conduct of its on-premise investigative audit pursuant to O.C.G.A. § 48-5-299 or to subpoena those records authorized by O.C.G.A. § 48-5-300 to any lawfully



scheduled hearing, meeting the requirements of due process. The Board has no statutory authority to issue subpoenas for discovery purposes in connection with tax audits pursuant to O.C.G.A. § 48-5-299 or to require a taxpayer to produce copies of such records for the use of the Board, except by subpoena to a lawfully scheduled hearing. A taxpayer is free to voluntarily provide copies of its records in the manner requested by the Board if it wishes to do so; however, the Board is not authorized to require the wholesale production of copies of a taxpayer's documents for the purpose of an off-premise fishing expedition into the affairs of the taxpayer. Discovery under the Civil Practice Act does not apply to a proceeding under the Administrative Procedure Act and is not otherwise authorized by law in this matter. See *Hewes v. Cooler*; *Ga. State Bd. of Dental Examiners v. Daniels*.

The Board's authority to require production of documents by a taxpayer, other than the on-premise inspection of records it is lawfully authorized to conduct pursuant to O.C.G.A. § 48-5-299, is limited to the production of documents pursuant to O.C.G.A. § 48-5-300, which provides:

(a)(1) Except as otherwise provided in paragraph (2) of this subsection, the county board of tax assessors may issue subpoenas for the attendance of witnesses and may subpoena of any person any books, papers, or documents which may contain any information material to any question relative to the existence or liability of property subject to taxation or to the identity of the owner of property liable to taxation or relevant to other matters necessary to the proper assessment of taxes lawfully due the state or county. Such subpoenas may be issued in the name of the board, shall be signed by any one or more members of the board or by the secretary of the board, and shall be served upon a taxpayer or witness or any party required to produce documents or records five days before the day upon which any hearing by the board is scheduled at which the attendance of the party or witness or the production of such documents is required. (2) The authority provided for in paragraph (1) of this subsection shall not apply to the following documents or records: (A) Any income tax records or returns; (B) Any property appraisals prior to the appeal process; (C) All insurance policies; or (D) Any individual tenant sales information. (b) If any witness subpoenaed by any county board of tax assessors fails or refuses to appear, fails or refuses to answer questions propounded, or fails or refuses to produce any books, papers, or documents required to be produced by an order of the board, except upon a legal excuse which would relieve the witness of the obligation to attend as a witness or to produce such documents before the superior court if lawfully required to do so, the person so failing or refusing shall be guilty of contempt and shall be cited by the board to appear before a judge of the superior court of the county. The judge of the superior court of the county shall have the same power and jurisdiction to punish the person failing or refusing to comply with the order for contempt and to require and compel the giving of the testimony or the production of the books and records as in cases of contempt committed in the presence of the court and as in cases pending in the court.

The Board's use or possession of a taxpayer's personal, confidential records is limited to that use which is authorized during the period of the audit and any hearing or appeal thereafter or in connection with the collection of taxes deemed to be owed by such taxpayer.

The Board is entitled to retain only those copies of the taxpayer's records as provided by



law. Any other use of the taxpayer's personal, confidential records or the disclosure to third parties is prohibited by law. O.C.G.A. § 48-5-314 provides inter alia:

(a)(1) All records of the county board of tax assessors which consist of materials other than the return obtained from or furnished by an ad valorem taxpayer shall be confidential and shall not be subject to inspection by any person other than authorized personnel of appropriate tax administrators. As an illustration of the foregoing, materials which are confidential shall include, but shall not be limited to, taxpayers' accounting records, profit and loss statements, income and expense statements, balance sheets, and depreciation schedules. Such information shall remain confidential when it is made part of an appeal file. Nothing in this Code section, however, shall prevent any disclosure necessary or proper to the collection of any tax in any administrative or court proceeding. (2) Records which consist of materials containing information gathered by personnel of the county board of tax assessors, such as field cards, shall not be confidential and are subject to inspection at all times during office hours. The provisions of this paragraph shall not remove the confidentiality of materials such as are specified in paragraph (1) of this subsection. . . . (b) Any person who knowingly and willfully furnishes information which is confidential under this Code section to a person who is not authorized by law to receive such information shall upon conviction be subject to a civil penalty not to exceed \$ 1,000.00.

Following the issuance of the subpoena, Saks filed a complaint against the Board in Fulton Superior Court, requesting a temporary restraining order and interlocutory and permanent injunctive relief, until such time as the Board and Mendola, or any other accounting firm that the Board may appoint, agreed to provide minimal protection of its proprietary documents.

The Board then issued a contempt citation, pursuant to O.C.G.A. § 48-5-300, for failure to produce the requested records. Saks thereafter filed a motion to quash the subpoena and a motion for protective order in the alternative to granting plaintiff's motion for a temporary restraining order.

After holding a hearing, the trial court refused to hold Saks in contempt and granted its motion for a protective order until such time as the parties can agree on a method which will protect Saks' confidential business records from disclosure. The court reasoned that while O.C.G.A. § 48-5-314 (a) (1) obligated the Board not to disclose any of the confidential records obtained during an audit, it was not certain that this Code section applied to third parties, such as Mendola.

This issue was resolved in *Eckerd*, 220 Ga. App. at 455-456. In that case, Eckerd appealed the trial court's order finding it in contempt of court for failing to comply with the Board's subpoena. Eckerd argued, inter alia, that the contract with Mendola violated its right to confidentiality under O.C.G.A. § 48-5-314. We held therein that as O.C.G.A. § 48-5-314 (a) (1) allows personnel authorized by appropriate tax administrators to access materials otherwise protected as confidential thereunder and that boards are authorized to contract for audit services under O.C.G.A. § 48-5-298, it necessarily follows that to enter into such a contract "authorizes" the contractor to access the confidential materials essential to the



performance of the contract. While no disclosure was at issue in *Eckerd*, we noted therein that O.C.G.A. § 48-5-314 (b) makes the disclosure of confidential materials to unauthorized persons subject to a civil penalty not to exceed \$ 1,000. Mendola is bound by O.C.G.A. § 48-5-314 (a) (1).

The Board argues that the trial court erred in granting a protective order to Saks because confidentiality is protected under O.C.G.A. § 48-5-314, the employment contract between Mendola and Fulton County protects Saks, and it is further protected by Mendola's ethical responsibilities as a CPA.

It is patently obvious that professionals are not immune from being the subject of appropriate protective orders because of the fact that they may be bound by professional standards. We note also that there is no client relationship between Mendola and Saks, and the record contains no documentation of the standards the Board contends protects Saks. This argument is without merit.

Similarly, the contract between Mendola and Fulton County provides no protection to Saks which was not a party to the contract. We note that the Board raises this issue for the first time on appeal; however, we will exercise our discretion and address the matter. Saks was clearly not a third-party beneficiary under the subject contract, and it did not know of its existence until litigation was initiated. The contract expressly provides for the indemnification of the Board by Mendola, but does not address third-party damages. The intent of the contract as a whole must be considered, and it is difficult to conceive how a contract between the Board and an auditor could be construed to be for the benefit of the taxpayer. See *American Fletcher Mtg. Co. v. First American Investment Corp.*⁶ This argument is without merit.

While the Board is correct that the confidentiality requirements of O.C.G.A. § 48-5-314 are applicable to Mendola, its contention that this fact precludes the trial court from granting a protective order to Saks is erroneous. While the trial court is barred from issuing a protective order which violates statutory law, such as O.C.G.A. § 48-5-314, it has full authority under O.C.G.A. § 23-4-31 to mold its decrees to meet the demands of each situation it faces. The trial court's determination as to the issuance of a protective order is a matter of the judge's discretion.

We therefore review a trial court's grant of a motion for a protective order for abuse of discretion. *Clayton County Bd. of Tax Assessors v. Lake Spivey Golf Club.*⁷ Absent an abuse of discretion, this court will affirm the actions of the trial court. See *Torok v. Mize*.

Here, the trial court erred in issuing its protective order until such time as the parties entered into a confidentiality agreement. The trial court does have full authority, however, to determine what restrictions and limitations are appropriate under the circumstances so long as its ruling does not conflict with the rights of the parties under applicable law. This court affirmed the trial court's ruling in *Wal-Mart*, supra prohibiting Mendola from either retaining or making copies of any documents produced by Wal-Mart in that case. Neither



the Board nor its agent has any authority to use the taxpayer's documents for purposes other than those specifically provided by law and are precluded from disclosing such material to third parties. The Board is not authorized to issue subpoenas for discovery purposes or to inappropriately coerce taxpayers into "voluntarily" providing copies of private documents contrary to law either directly or through the acts of its agents. It is within the authority of the court to issue any protective order it deems reasonable and necessary for the protection of the parties, consistent with this opinion. The parties are free of course to enter into an agreement on the terms of any protective order, subject to the approval of the trial court.



When personal property has been discovered that was not reported by the owner:

(a) Omissions and undervaluations. If not otherwise prohibited by law or this Rule, the appraisal staff shall recommend an additional assessment to the board of tax assessors when any review or audit reveals that a property owner has omitted from their return any property that should be returned or has failed to return any of their property at its fair market value. The appraisal staff shall recommend a reduced assessment to the board of tax assessors when any review or audit reveals that a property owner has overstated the amount of personal property subject to taxation.

(b) Reassessments. The appraisal staff shall recommend to the board of tax assessors a new assessment when the property owner has omitted personal property from their return or failed to return personal property at its fair market value, when such omission or undervaluation has been discovered by an audit conducted pursuant to Rule 560-11-10-.08(4)(d). The appraisal staff shall not be precluded from conducting such an audit merely because a change of assessment has been made on the personal property as a result of a review conducted pursuant to Rule 560-11-10-.08(4)(c). However, the appraisal staff may not recommend to the board of tax assessors a reassessment of the same personal property for which an audit has been conducted pursuant to Rule 560-11-10-.08(4)(d) and a final assessment has already been made by the board.

§ 48-5-306. Annual notice of current assessment; contents; posting notice; new assessment description

(a) Method of giving annual notice of current assessment to taxpayer. Each county board of tax assessors may meet at any time to receive and inspect the tax returns to be laid before it by the tax receiver or tax commissioner. The board shall examine all the returns of both real and personal property of each taxpayer, and if in the opinion of the board any taxpayer has omitted from such taxpayer's returns any property that should be returned or has failed to return any of such taxpayer's property at its fair market value, the board shall correct the returns, assess and fix the fair market value to be placed on the property, make a note of such assessment and valuation, and attach the note to the returns. The board shall see that all taxable property within the county is assessed and returned at its fair market value and that fair market values as between the individual taxpayers are fairly and justly equalized so that each taxpayer shall pay as nearly as possible only such taxpayer's proportionate share of taxes. The board shall give annual notice to the taxpayer of the current assessment of taxable real property. When any corrections or changes, including valuation increases or decreases, or equalizations have been made by the board to personal property tax returns, the board shall give written notice to the taxpayer of any such changes made in such taxpayer's returns.



A change of assessment should be created for the variance amount for the difference between the value on the NOA and the value discovered by the audit.

Example:

The review of a personal property account has been completed. According to the account records supplied by the owner, the appraisal staff noted the following:

Variances resulted from Equipment and Inventory.

Equipment was assessed at \$170,000, the audit revealed omissions and undervaluations and the true value determined was \$300,000. Inventory was assessed at \$1,000 and the value determined from the audit was \$7,000.

	EQUIP & CIP	INV & SUPP	100% FMV	40% ASSESSED
ACTUAL	\$300,000	\$7,000	\$307,000	\$122,800
100% ASSESSED	\$170,000	\$1,000	\$171,000	\$68,400
VARIANCE	\$130,000	\$6,000	\$136,000	\$54,400

Thus, a change of assessment notice should be issued for \$54,400 and flagged for a 10% penalty to be added by TCO on the amount of tax due.

§ 48-5-299. Ascertainment of taxable property; assessments against unreturned property; penalty for unreturned property; changing real property values established by appeal in prior year

(b)(1) In all cases where unreturned property is assessed by the county board of tax assessors after the time provided by law for making tax returns has expired, the board shall add to the amount of state and county taxes due a penalty of 10 percent of the amount of the tax due or, if the principal sum of the tax so assessed is less than \$10.00 in amount, a penalty of \$1.00. The penalty provided in this subsection shall be collected by the tax collector or the tax commissioner and in all cases shall be paid into the county treasury and shall remain the property of the county.

(2)(A) The provisions of paragraph (1) of this subsection to the contrary notwithstanding, this paragraph shall apply with respect to counties having a population of 600,000 or more according to the United States decennial census of 1970 or any future such census.

(B) In all cases in which unreturned property is assessed by the board after the time provided by law for making tax returns has expired, the board shall add to the assessment of the property a penalty of 10 percent, which shall be included as a part of the taxable value for the year.



JUDICIAL DECISION

ECKERD CORPORATION v. COWETA COUNTY BOARD OF TAX ASSESSORS.
A97A1567.

COURT OF APPEALS OF GEORGIA

228 Ga. App. 94; 491 S.E.2d 173; 1997 Ga. App. LEXIS 1045; 97 Fulton County D. Rep.
3074

August 11, 1997, Decided

ELDRIDGE, Judge.

Appellee Coweta County Board of Tax Assessors ("Tax Board") audited appellant Eckerd Corporation's ("Eckerd") ad valorem personal property tax returns for a three-year period, 1992 through 1994. Pursuant to the audit, the Tax Board determined that Eckerd had undervalued its inventory, equipment, furniture, and fixtures in these returns and, subsequently, seeks taxes thereon. Eckerd filed a motion for summary judgment, claiming that it had paid its assessed taxes for the years in dispute and that the Tax Board was attempting to reassess and revalue property for which returns had been filed and the taxes had been paid, which practice is allegedly improper. The Superior Court of Coweta County denied appellant's motion. We granted Eckerd's petition for interlocutory review and now affirm the ruling of the trial court. In so doing, we make clear three specific points regarding our Ad Valorem Tax Code, O.C.G.A. § 48-5-1 et seq., in regard to taxation of tangible personalty.

1. If an audit uncovers a taxpayer's undervaluing of returned personalty for ad valorem tax purposes, the subsequent tax bill covering the shortfall is not a reassessment or revaluation of the returned units of property, but a bill for the "default" as to that portion of the personalty not represented through the undervaluation. *Garr v. E. W. Banks Co.*, 206 Ga. 831 (59 S.E.2d 400) (1950); see also *Hardin v. Reynolds*, 189 Ga. 534 (6 S.E.2d 328) (1939); *Fayette County Bd. of Tax Assessors v. Ga. Utilities Co.*, 186 Ga. App. 723, 725 (368 S.E.2d 326) (1988). For example, if 100 bottles of aspirin have a fair market value of \$ 100, but the 100 bottles are returned with a value of \$ 50, there is a default as to the 50 percent of the aspirin not represented in the returned value. A subsequent audit and tax bill covering the 50 percent undervaluation cannot be considered a "reassessment" or "revaluation," since 50 percent of the value of the inventory was omitted from the return in the first place. See *Garr v. E. W. Banks Co.*, supra at 831 (3); *Hardin v. Reynolds*, supra at 543. ¹ As was noted in *Fayette County Bd. of Tax Assessors v. Ga. Utilities Co.*, supra at 725, items of personalty, such as those represented in the contested returns of appellant, are separate from each other and have independent value; thus, the undervaluation of such personalty is an omission of those units not represented by the valuation in the return.

The case law upon which appellant relies relating to real property is completely inapplicable procedurally. In fact, the assessment and taxation of tangible personalty and real property are procedural opposites. The failure to recognize the difference in the procedural postures thereof has permitted confusion in this area, thereby generating assertions such as that of the appellant, who argues based upon realty cases that an audit by the Tax Board, the subsequent discovery of an undervaluation on the personal property returns of past years, and the resulting tax bill therefor is the equivalent of a forbidden "reassessment" and "revaluation" by the Tax Board as occurs with real property reassessments. Such is not the case.



Real estate taxation deals with land and the improvements thereon which are considered "one" and cannot be separated so as to have value apart from each other. *Fayette County Bd. of Tax Assessors v. Ga. Utilities Co.*, supra; *Fulton County Bd. of Tax Assessors v. Dean*, 219 Ga. App. 137 (464 S.E.2d 257) (1995). Realty and the improvements thereto are out in the open and may be compared with other properties, the value of which are matters of public record. The tax assessor may use independent information available to actually assess the realty. Due diligence in the inspection of realty reveals any improvements or changes in the fair market value in the real estate market. Accordingly, real property is capable of a fair market valuation by the tax assessor, separate and apart from any tax return. For this reason, realty is yearly appraised and valued *first* by the tax assessor, and a tax bill issues thereon from the tax collector to the taxpayer, who eagerly awaits his yearly assessment. Rules & Regulations of the State of Georgia, Chapter 560-11-3-.17. No return by the taxpayer is necessary, and the payment of the subsequent tax bill is the payment of the *tax assessor's* determination of the realty's fair market value. See O.C.G.A. §§ 48-5-18; 48-5-20. Thereafter, any attempt to tax a previously unreturned or undiscovered improvement to the realty for years past would be a "revaluation" by the tax assessor of the same property after the taxes, as previously assessed and valued by the tax assessor, had been paid in full to the tax collector. *Fayette County Bd. of Tax Assessors v. Ga. Utilities Co.*, supra at 725. Clearly, the equities of this scenario demonstrate that issues of double taxation may arise, since the tax assessor had already passed upon the fair market value of the land. Consequently, this Court has, where land is concerned, precluded a second reassessment when the tax collector's tax bill has been paid in full.

By contrast, however, tangible personal property, such as in the case sub judice, must be valued first by the *taxpayer* in a return. Rules & Regulations of the State of Georgia, Chapter 560-11-3-.18. ² Obviously, a good faith tax return is required, because, absent an audit, a tax assessor cannot know the nature and extent of a taxpayer's personalty. Such personalty may be moved, hidden, undervalued, or simply not reported. Clearly, an audit cannot be conducted as to every taxpayer, upon every year. Thus, the taxpayer must value his own personal property in his tax return. Thereafter, taxes are assessed by the tax assessor and a tax bill issued by the tax collector based upon the *taxpayer's* good faith valuation in the return. The equities in this scenario are equally clear; if a subsequent audit by the Tax Board uncovers an undervaluation of the personalty contained in the return, in no manner can this audit and assessment be considered a second "revaluation" or "reassessment" as argued by appellant. The Tax Board had not previously passed upon the valuation as contained in the taxpayer's return, as in the case of real property. The difference in the procedural posture in the taxation of personalty and real property must be delineated, and we decline appellant's invitation to blur the distinction. Appellant's reliance upon Opinion U87-13 of the Attorney General of Georgia, published May 14, 1987, also compels consideration thereof.

In U87-13, an unofficial opinion, the Attorney General reviewed Georgia Ad Valorem Tax Code, O.C.G.A. § 48-5-1 et seq., along with case law, and determined that O.C.G.A. § 48-5-306 "may be used to revalue and assess any property for any tax year in which that property has not already been assessed *in accordance with O.C.G.A. § 48-5-306*. . . . Property that has been returned may only be revalued in accordance with O.C.G.A. § 48-5-306 if the Board has *not previously* rendered a final assessment of that property *pursuant to the same Code section* [O.C.G.A. § 48-5-306]." (Emphasis supplied.) To the extent that the Attorney General's opinion may be read to preclude *two* audits pursuant to O.C.G.A. § 48-5-306 (a) and subsequent reassessments of a personal property tax return for any given year, such opinion is approved. See also Ga. L. 1943, pp. 244-245 (Ga. Code Ann. § 92-6703)



(when Tax Board has already *passed* upon a previous assessment pursuant to audit powers, an additional reassessment is void). To the extent that the Attorney General's opinion may be read to impede a Tax Board's ability to audit, within the statute of limitation, a personal property tax return and to collect additional taxes for any undervaluation of previously returned personal property pursuant to O.C.G.A. §§ 48-5-299 (a) and 48-5-306 (a), such opinion is disapproved for the following reasons.

O.C.G.A. § 48-5-299 (a) empowers the Tax Board to determine the value of "any property upon which for any reason *all* taxes due the state or county have not been paid *in full* . . . [and to] assess against [the taxpayer] the *full* amount of taxes which has accrued and which may not have been paid at any time within the statute of limitations." (Emphasis supplied.) Clearly, the use of the term "paid in full" means that some taxes have been paid, but not "in full." Further, no restriction regarding "returned" or "unreturned" property is placed upon such empowerment under O.C.G.A. § 48-5-299 (a). In the construction of a statute the legislative intent must be determined from a consideration of it as a whole. The construction of language and words used in one part of the statute must be in the light of the legislative intent as found in the statute as a whole; a statute must be read without "reading out" any other part, unless there is a clear reason for doing so. See *Gwinn v. State Ethics Comm.*, 262 Ga. 855, 859-860 (426 S.E.2d 890) (1993); *Bozeman v. Tifton Fed. Sav. & Assn.*, 164 Ga. App. 260, 262-263 (297 S.E.2d 49) (1982). To that end, O.C.G.A. § 48-5-299 (b) specifically refers to "unreturned" property and attaches a penalty for the failure to return property altogether; the specificity with which subsection (b) is directed at "unreturned" property reinforces the fact that subsection (a) is to draw no such distinction, and that the Tax Board's power to ensure that all taxes are paid in full extends to property that has been returned but undervalued, as well as to property that has not been returned at all.

Moreover, under the statute, the Tax Board's determination that taxes have not been "paid in full" may come at any time within the statute of limitation, which begins at the time of filing. Clearly then, this time frame must encompass those situations wherein the discovery of an undervaluation occurs pursuant to an audit conducted years after the personal property tax return has been filed and the taxes have been paid. See, e.g., *Richards v. Zentner*, 176 Ga. 222, 226 (1) (167 S.E. 516) (1933) (notice is applicable for the "raising of the valuation of property for the year in which the returns are made; and for stronger reasons it would seem to be applicable to the raising of returns of property made by a taxpayer for preceding years").

Accordingly, by the plain meaning of its own terms, O.C.G.A. § 48-5-299 (a) empowers the Tax Board to audit, at any time within the statute of limitation, prior personal tax returns and collect taxes over and above those that may have been assessed and paid, because the valuation of the personalty by the taxpayer was incorrect, and thus the taxes were not "paid in full."

The mechanism providing the procedural details for such assessment and collection is O.C.G.A. § 48-5-306 (a), which Code section must, of course, be read in *pari materia* with O.C.G.A. § 48-5-299 (a). O.C.G.A. § 48-5-306 (a) is that portion of the Ad Valorem Tax Code that provides for an audit to be conducted upon personal property tax returns and notice to be given for any resultant changes in such returns if "any taxpayer has *omitted* from his returns any property that should be returned *or* has failed to return any of his property *at its fair market value*." (Emphasis supplied.) This audit may take place "at any time" within the statute of limitation. O.C.G.A. §§ 48-5-299 (a); 48-5-306 (a). Clearly, by



its plain terms, O.C.G.A. § 48-5-306 (a) permits the Tax Board to audit and make changes to a taxpayer's return with regard to personalty omitted *and* with regard to personalty that has been returned but undervalued.

A perhaps painful, but necessary historical analysis of our Ad Valorem Tax Code will underscore the point that O.C.G.A. §§ 48-5-299 (a) and 48-5-306 (a) were intended to encompass the collection of additional taxes on returns wherein taxes may have been paid in previous years, but the personal property was undervalued by the taxpayer in the return.

An Equalized System of Taxation was created by Ga. L. 1913, p. 123. Our current Code sections O.C.G.A. §§ 48-5-299 (a) and 48-5-306 (a) were, at that time, melded together in Section 6 of Ga. L. 1913, pp. 123, 127, which section specifically provided, inter alia, that "if [the] tax payer has omitted from his returns any property that should be returned or has failed to return any of his property at a just and fair valuation, the said board shall correct such returns." Thus, O.C.G.A. §§ 48-5-299 and 48-5-306 began their codified life together, inseparable in intent and design.

In Ga. L. 1918, p. 232, the General Assembly added an Act to provide for the *collection* of taxes, which Act specifically provided for the collection of taxes "when the owner of property has omitted to return the same for taxation at the time or for the years the return should have been made, or *having returned his property or part of the same, has grossly undervalued the property returned*, or his property has been assessed for taxation at a figure grossly below its true value." (Emphasis supplied.) Such taxes were considered "delinquent," and the legislature contemplated that such collection would encompass additional taxes due from undervaluation in prior years.

In 1933, a new Tax Code was passed; it was amended in 1937. In the caption to the 1937 Act, the General Assembly specified that the Tax Code was to prescribe the examination of tax returns with respect to the assessment for taxation of "all property, including both property which has been returned and unreturned property." Ga. L. 1937, p. 517. The 1933 Code and the 1937 amendment first split apart those principles contained in our current O.C.G.A. §§ 48-5-299 (a) and 48-5-306 (a), in an attempt to emphasize the duties and powers of the Tax Board (O.C.G.A. § 48-5-299 (a)) and the procedures, including notification, to be used when employing those duties and powers (O.C.G.A. § 48-5-306 (a)). See Ga. L. 1937, pp. 519, 520; Ga. Code Ann. §§ 92-6912; 92-6913. In the new Code, the Tax Board was specifically given the power and duty to collect taxes on personal property the "taxpayer has omitted from his returns . . . or has failed to return [at] a just and fair valuation." Ga. L. 1937, p. 519. By 1937, it is safe to assume that business and population increases in this State must have rendered nearly impossible a Board assessment of every personal property return within the same year in which it was filed. Thus, in this Code is introduced for the first time the provision that assessment of a tax return may come at "any time within the statute of limitations," and additional taxes may be assessed "*for any reason* all taxes due to the State or to the county have not been *paid in full*." (Emphasis supplied.) Ga. L. 1937, p. 520. The duties of the Tax Board, presumably stretched to the limit by the time constraints of placing all tax returns upon the books within the statutory tax year, ⁶ provided that actual assessments of individual personal property returns, as opposed to the acceptance of the taxpayer's valuations therein, be allowed to occur outside the tax year. See *Garr v. E. W. Banks Co.*, 206 Ga. at 832 (time provisions of the Code do not deprive the Tax Board of the authority to perform their duties after the statutory time provision, but within the statute of limitation).



Thereafter, in Ga. L. 1943, pp. 243, 244 (Ga. Code Ann. § 92-6703), the legislature sought to limit the Tax Board's *audit* powers by therein specifically providing "if the County Board of Tax Assessors has *previously passed* upon the assessment of this same property for the years involved, then a *reassessment* of this property heretofore or hereafter made by the Tax Receiver under this chapter, shall be void." (Emphasis supplied.) Cf. Ga. L. 1918, pp. 232-234.

By 1978, our Tax Code was, again, amended "exhaustively and completely." Ga. L. 1978, p. 309. Title 91A was created wherein the General Assembly clarified that its intent was not "to make any substantive change in the revenue laws of this State, except as *expressly* provided for in this Act." (Emphasis supplied.) *Id.* at 310-311. Thus, Ga. L. 1978, pp. 309, 764-794, § 3 (1), repealed the provisions of Title 92 only to the extent that it was specified in the new Code. However, there was no specific repealer as to those portions of Title 92 which encompassed both Ga. L. 1918, pp. 232-234, regarding the taxing authority's ability to assess and collect taxes upon returns in which property was omitted or undervalued, and the above Code section under Ga. L. 1943, pp. 243-244, limiting audit powers to one reassessment and revaluation for any given tax return. ⁷ The 1978 Code mirrors our current legislation, with Ga. Code Ann. § 91A-1440 embodying the principles of O.C.G.A. § 48-5-299 (a) and also providing specific penalties for "unreturned" property, as does O.C.G.A. § 48-5-299 (b). Ga. L. 1978, p. 450. Section 91A-1448 encompasses O.C.G.A. § 48-5-306 (a) and, again, permits the collection of taxes "at any time" for those returns in which personal property has been omitted *or* in which a taxpayer has "failed to return any of his property at its fair market value." Ga. L. 1978, p. 454.

Such is the state of the law under our current Tax Code, and this historical perspective demonstrates that the legislature has contemplated that returned but undervalued personal property should be taxable when uncovered by an audit, i.e., when a personalty return is ultimately "passed" upon by the Tax Board within the statute of limitation. Even if the taxes on such personalty had been paid in years past, the taxes were not "paid in full," because of the undervaluation *by the taxpayer*. The Attorney General's Opinion U87-13 is disapproved to the extent it may be read to conflict herein. ⁸

In sum, when, within the statute of limitation, an audit uncovers that a taxpayer has undervalued his personalty in a previous year's personal property tax return, the undervalued personalty may be assessed and taxed by the Tax Board. The defaulting taxpayer is in no way permitted to benefit from the undervaluation on the basis urged by appellant before this Court, which argument is, in essence, that collection is prohibited because the undervaluation was not caught before the tax bill was paid. "That [taxes in the full amount] were due five, four, three, and two years ago, and have gone unpaid, is no relaxation of the obligation to pay them. Can it be contended that, because one in [1992 or 1993 undervalued] his taxable property, he is thereby released from his obligation to pay [full] tax thereon[?] . . . These taxes are just as much due now as they were in the year they were incurred." *Ga. R. & Co. v. Wright*, 124 Ga. 596, 616 (53 S.E. 251) (1906).

2. "All property shall be returned by the taxpayers for taxation to the tax commissioner or tax receiver as provided by law." O.C.G.A. § 48-5-10. Our Tax Code, under O.C.G.A. § 48-5-105.1 (b), provides that all returns of tangible personal property shall be made pursuant to the form or forms adopted by the state tax commissioner. In addition, "each corporation should carefully prepare its return so as to fully and clearly set forth the data called for therein." Rules & Regulations of the State of Georgia, Chapter 560-7-8-.04, p. 263.



The forms for the three-year period at issue herein required that appellant provide a "description" and the "market value" of the personal property of the business and that "expensed as well as depreciable assets should be listed and valued." Appellant did not include such listings and descriptions in its returns, but instead, stamped "See Attached" on the forms and submitted a one-page attachment entitled "Personal Property Tax Filings," which contained the broad categories of: (1) "Inventory Value," and (2) "Furniture & Fixtures, Machinery & Equipment." A numeric value was assigned to each broad category, which number represented appellant's estimate of the fair market value thereof. ⁹ No tax assessor could determine the true fair market value of such personalty, because the personalty was not disclosed, and only an assigned value was returned.

Appellant's procedure of valuing its property, without listing or describing such, circumvents a taxpayer's burden to disclose ownership of property; however, such procedure provides a numeric basis upon which a Tax Board may calculate a taxpayer's ad valorem tax based upon the *taxpayer's* estimate or determination of value, thereby enabling a tax bill to generate and some taxes to be paid thereon in a timely fashion. See O.C.G.A. §§ 48-5-301; 48-5-302. Notwithstanding, by utilizing such valuation procedure, appellant has failed to make a "full return," which includes the listing and describing of personal property as requested by the forms, including quantities of each category of personalty. "Imperfect or incorrect returns will not be accepted as meeting the requirements of the law." Rules & Regulations of the State of Georgia, Chapter 560-7-8-.04, p. 263. Moreover, "Important Information" contained in appellant's tax forms warned appellant that, "Failure to file a completed copy of this form may lead to an audit of your records and/or the placing of an assessment on your property from the best information obtainable in accordance with Georgia Code 48-5-299 (A) [sic]." Thereafter, when such audit, properly conducted within the statute of limitation, uncovered appellant's undervaluation of its personal tangible property, appellant is estopped from claiming that a "reassessment" or "revaluation" of *returned* personal property had occurred. No specific items of property were returned so as to allow a re-assessment of the property; only the valuation was returned. As in the case sub judice, when a valuation is discovered as incorrect pursuant to an audit, such valuation, perforce, attaches to no specific personalty so as to provide a basis for a claim of a *re-valuation* or *re-assessment* thereof. Thus, appellant's assertion that, "The new assessments issued by the Board do not enumerate any property *excluded* from the original returns" is so much make-weight, since no specific property was *included* in the original returns. (Emphasis supplied.) "The Georgia law affords to every citizen, individual or corporate, ample facilities for the preservation of his rights as against the tax-gatherer, always provided that he makes a return to the proper officer of the property that he owns. It presupposes that the taxpayer will disclose to the officer all of his taxable property. . . . The requirement of candor in disclosing the ownership of property is really at the foundation of our tax system. So long as the citizen complies with that requirement, he is afforded every opportunity to dispute with the State the question of the value of his property and the amount of tax to be levied thereon. . . . In other words, ample 'machinery' is available to the citizen who makes full returns; deprivation of the right to be further heard is one of the penalties visited on the defaulter." *Ga. R. & Co. v. Wright*, supra at 617 (11).

3. Finally, appellant misinterprets the concepts of "cost" and "fair market value," in arguing that summary judgment should have been granted because the Tax Board improperly assessed appellant's property at cost, as opposed to the statutorily prescribed standard of fair market value. ¹¹ Appellant contends that one is exclusive of the other: "There is no statutory authority to assess inventory at its 'cost.' Rather, the inventory must be assessed at 'fair market value.'" While we agree that property must be assessed at fair market value,



O.C.G.A. § 48-5-6, "cost" is not a concept foreign to such valuation. What the taxpayer was willing to pay for the personalty, its cost to him, is one of the factors from which fair market value may be determined, if not the primary factor, because such figure is fixed, while other factors may deviate upward or downward from such figure based upon the fair market.

Mistaken also are appellant's attempts to divide and isolate notions of "retail versus wholesale levels of trade" from cost and fair market value. All are integrally related and relevant to the extent that they aid in determining "the amount a knowledgeable buyer would pay for the property and a willing seller would accept for the property at an arm's length, bona fide sale." O.C.G.A. § 48-5-2 (3). Clearly, when the market permits appellant to place a higher retail price on a bottle of aspirin, the aspirin wholesaler will not allow appellant to enjoy such profit alone; appellant's wholesale "cost" of aspirin is going to see a similar increase, which will cause an increase in the fair market value of the taxpayer's inventory. The inverse is equally true, if lackluster market demand forces retail and, thus, wholesale aspirin prices down. For ad valorem tax purposes, fair market value is not the retail value to the taxpayer, but the current wholesale value adjusted for the fair market; thus, the taxpayer's cost may be adjusted upward, downward, or remain the same to reflect the "wholesale market" as it determines the fair market value of the tangible personalty in the taxpayer's possession at that economic moment in time. Contrary to appellant's contentions, the fair market valuation of personal property for tax purposes does not occur in a vacuum but may be determined by utilizing several indices, including "cost" to appellant, as well as wholesale pricing in relation to retail levels of trade. See *Rogers v. DeKalb County Bd. of Tax Assessors*, 247 Ga. 726, 727 (2) (279 S.E.2d 223) (1981). In a stagnant economy, "cost" may, in fact and law at any particular economic moment in time, constitute "fair market value." Thus, appellant's argument that "'cost' and 'fair market value' are not the same and that what the law requires for assessment is fair market value," is simply inaccurate, and we conclude that, "cost" may be part and parcel of an assessment of the "fair market value" of personalty.

Judgment affirmed. Birdsong, P. J., and Ruffin, J., concur.



Audit Findings Letter Sample

«Date»

«Title» «First_Name» «Last_Name»
«Company_Name»
«Address_Line_1»
«Address_Line_2»
«City», «State» «ZIP_Code»

Dear «Title» «Last_Name»:

The audit of the above account has been completed. According to your accounting records, we note the following:

REVISED: Under the appeal, additional information was provided to better value motel furniture, fixtures, and equipment. We had originally “sound value” the 1998 acquisition of furniture and equipment resulting from a 1031 exchange of properties. Since this furniture and equipment represents an approximate historical cost and not an arbitrary allocation, we have allowed this amount to be depreciated for each tax year audited. This is a fair valuation of this 1998 furniture and equipment. No other adjustments were made to this audit.

1. The machinery, equipment, furniture and fixtures values assessed did not agree with the values determined from this audit. Variances resulted for all tax years audited and were the result of two valuation not reported, and it appears to have been included with the real property building value. We classified \$75,000, at cost, for this signage and included it under in-service year 1995. Second, when the hotel was purchased in 1998, the net book value or fair market value was recorded in the financial statements not at original cost. While this is acceptable for generally accepted accounting principal reporting, the book value cannot be entered into Schedule A and reduced in value further from original cost. Therefore, we “sound valued” the 1998 allocated purchase price of furniture and fixtures and recognized this amount as the floor valuation of such assets.
2. Inventory is not applicable to this account/location and, accordingly, will have no effect on the overall audit results.



3. Office and operating supplies were under assessed for all tax years audited, resulting in variances. We estimated supplies by calculating a one month's "supplies on hand" amount from the direct expensed supply accounted for breakfast foods, operating supplies, cleaning supplies, and all guest supplies.

We propose to make the following changes:

TAX YEAR	EQUIPMENT	CIP	INV & SUPP	NET	PENALTY
2013	\$21,000	\$0	\$8,000	\$29,000	10%
2012	\$41,000	\$0	\$6,000	\$47,000	10%
2011	\$51,000	\$0	\$7,000	\$58,000	10%

Your client has been mailed a change of value (assessment) notice for each listed tax year(s). These values will become final unless a written appeal is received by this office within 45 days from the date of this letter. Only a U.S. Postal Service postmark is acceptable proof of a timely filing. If you file an appeal, you may be contacted for a hearing with the Board of Equalization.

Please note that the Board of Assessors have no legal power to abate penalties. Under the Official Code of Georgia Annotated, section 48-5-242, the authority to abate penalties has been granted to the "governing authority" of the county and such should be requested in writing. Any request for removal of a penalty needs to be made through the office of the County Commissioners.

If you have any questions about these changes, you may call me at (XXX) XXX-XXXX.

Best regards,

Personal Property Manager



REFERENCES

Appraisal Procedures Manual

560-11-10-.01 Purpose and Scope.

(1) Purpose. This appraisal procedures manual has been developed in accordance with Code section 48-5-269.1 which directs the Revenue Commissioner to adopt by rule, subject to Chapter 13 of Title 50, the “Georgia Administrative Procedure Act,” and maintain an appropriate procedural manual for use by the county property appraisal staff in appraising tangible real and personal property for ad valorem tax purposes.

(2) Specific procedures. In order to facilitate the mass appraisal process, specific procedures are provided within this Chapter which are designed to arrive at a basic appraisal value of real and personal property. These specific procedures are designed to provide fair market value under normal circumstances. When unusual circumstances are affecting value, they should be considered. In all instances, the appraisal staff will apply Georgia law and generally accepted appraisal practices to the basic appraisal values required by this manual and make any further valuation adjustments necessary to arrive at the fair market values.

(3) Board of tax assessors. The county board of tax assessors shall require the appraisal staff to observe the procedures in this manual when performing their appraisals. The county board of tax assessors may not adopt local procedures that are in conflict with Georgia law or the procedures required by this manual. The county board of tax assessors must consider the appraisal staff information in the performance of their duties. In each instance, however, the assessment placed on each parcel of property shall be the assessment established by the county board of tax assessors as provided in Code section 48-5-306.

(4) Other appraisal procedures. The appraisal staff may use those generally accepted appraisal practices set forth in the Uniform Standards of Professional Appraisal Practice, published by the Appraisal Foundation, and the standards published by the International Association of Assessing Officers, as they may be amended from time to time, to the extent such practices do not conflict with this manual and Georgia law.

RULES
OF
DEPARTMENT OF REVENUE
LOCAL GOVERNMENT SERVICES DIVISION

CHAPTER 560-11-10
APPRAISAL PROCEDURES MANUAL

560-11-10-.02 Definitions.

(1) Definitions. When used in this Chapter, the definitions found in this Rule shall apply.

(a) Absorption rate. "Absorption rate" means the rate at which the real estate market can absorb real property of a given type.

(b) Appraiser. "Appraiser" means a member of the county appraisal staff, who serves the board of tax assessors and whose position was created pursuant to Part 1 of Article 5 of Chapter 5 of Title 48 of the Official Code of Georgia Annotated. This term does not limit its meaning to a single appraiser and may mean one or more members of the county appraisal staff.

(c) Basic cost approach. "Basic cost approach" means a cost approach procedure, used in the mass appraisal of personal property, which uses standard estimates of the most common factors affecting the value of such property. The basic cost approach is intended to provide a uniform estimate of personal property value.

(d) Depreciation. "Depreciation" means the loss of value due to any cause. It is the difference between the market value of a structural improvement or piece of equipment and its reproduction or replacement cost as of the date of valuation. Depreciation is divided into three categories, physical deterioration, functional obsolescence, and economic obsolescence. Depreciation may be further characterized as

curable or incurable depending upon the difficulty or practicality of restoring the lost value through repair or maintenance.

(e) Economic life. "Economic life" means the period during which property may reasonably be expected to perform the function for which it was designed or intended.

(f) Economic obsolescence. "Economic obsolescence" means a form of depreciation that measures a loss of value from negative influence external to the real or personal property. It results when the desirability or useful life of real or personal property is impaired due to forces such as changes in optimum use, legislative enactment that restricts or impairs productivity, and changes in supply and demand relationships. Economic obsolescence is normally incurable.

(g) Effective age. "Effective age" means the age of an improvement to property as compared with other property performing like functions. It is the actual age less the age that has been taken off by face-lifting, structural reconstruction, removal of functional inadequacies, modernization of equipment, and similar repairs and overhauls. It is an age that reflects a true remaining life for the property, taking into account the typical life expectancy of buildings or equipment of its class and usage.

(h) Fair market value. "Fair market value" means fair market value as defined in Code section 48-5-2 (3).

(i) Final assessment. "Final assessment" means the final assessed value that is determined for the property for the applicable tax year after the following events have occurred: the time period for filing appeals has expired and any appeals that have been filed have been resolved; the authorities authorized to levy taxes on property in the county have approved the final tax levy; the Revenue Commissioner has authorized that the digest may be used as the basis for collecting taxes; the tax commissioner has mailed the final tax bills based on the authorized digest; and in the case of personal property, the appraisal staff has completed its audit of

the personal property pursuant to Rule 560-11-10-.08(4)(d) within the seven year statute of limitations.

(j) Functional obsolescence. "Functional obsolescence" means a form of depreciation that measures a loss of value from a design deficiency or appearance in the market of a more innovative design. Some functional obsolescence may be curable and some functional obsolescence may be incurable.

(k) Inventory. "Inventory" means goods held for sale or lease or furnished under contracts for service; also, raw materials, work in process or materials used or consumed in a business.

(l) Large acreage tract. "Large acreage tract" means a rural land tract that is greater in acreage than the small acreage break point.

(m) Mass appraisal. "Mass appraisal" means the process of valuing a universe of properties as of a given date using standard methodology, employing common data and allowing for statistical testing.

(n) Most Recent Arms Length Sale. As referenced in OCGA 48-5-2(3), transactions must occur prior to the statutory date of valuation to become eligible for the value limitations imposed in 48-5-2(3). Furthermore, where the exchange of property is defined as an arm's length transaction, the sum of the value of the exchanged real estate property components, land and improvements, in the year following the property exchange shall not exceed the transaction's sale price adjusted for non-real estate values such as but not limited to, timber, personal property, etc. The adjustment to the value of the real estate shall remain in effect for at least the digest year following the transaction. With respect to changes in the exchanged real estate property components since the time of exchange (sale date), the value of new improvements, value of additions to existing improvements (footprint of exchanged structure has been altered), major remodeling or renovations to existing structures (footprint of exchanged structure has not been altered), and adjustments to land due to consolidation of tracts,

new surveys, zoning changes, land use changes, etc. shall be added to the sales price adjusted values. In the event an exchanged real estate property structure is renovated or remodeled, the term major shall be construed such that both the property owner and BOA would reasonably conclude a major renovation/remodeling has occurred. If either party, acting reasonably, could debate that the renovation/remodeling effort was not major in nature, the renovation/remodeling effort does not qualify and shall not be added to the sales price adjusted values. Any modifications made to the exchanged real estate property after the sale date that result in a lower value of the exchanged property shall be considered in the final valuation of property for the digest.

(o) Original cost. "Original cost" means, in the case of machinery, equipment, furniture, personal fixtures, and trade fixtures in the hands of the final user, all the direct costs associated with acquiring, transporting and installing such property at the site where it is to be used. This includes the cost of the property to the property owner, the cost of transporting the property to its present site, the cost of any on-site assembly or customized modification of the property, the cost of installing the property, the cost of installing personal fixtures and trade fixtures necessary for the proper operation of the property, and any sales or use tax paid on the property. Original cost is equivalent to original cost new if the property owner was the first to put the personal property into service.

(p) Original cost new. "Original cost new" means, in the case of machinery, equipment, furniture, personal fixtures, and trade fixtures in the hands of the final user, all the direct costs associated with acquiring, transporting and installing such property at the site where it is to be used. This includes the historical cost of the property at the time it was first put into service new, the cost of transporting the property to its present site, the cost of any on-site assembly or customized modification of the property, the cost of installing the property, the cost of installing personal fixtures and trade fixtures

necessary for the proper operation of the property, and any sales or use tax paid on the property. Original cost new is equivalent to original cost if the property owner was the first to put the personal property into service.

(q) Paired sales analysis. "Paired sales analysis" means the comparing of the sale prices of similar properties, some with and some without a particular characteristic, in order to determine what portion of the difference in sales price might be attributable to such characteristic.

(r) Personal fixtures. "Personal fixtures" means personal property that has been set-up or installed on land or in a building or in a group of buildings and is not permanently attached to such land or buildings. A consideration for whether personal property is a personal fixture is whether its removal would cause significant damage to such property or to the real property on which it has been set-up or installed. The term personal fixtures shall not include trade fixtures. Personal fixtures are classified as personal property. Examples of personal fixtures are desks, shelving, display cases and gondolas.

(s) Personal property. "Personal property" means tangible personal property that may be seen, weighed, measured, felt, or touched or which is in any other manner perceptible to the senses. Personal property shall include trade fixtures. For the purposes of this Rule, personal property shall not include the capital stock of all corporations; money, notes, bonds, accounts, or other credits, secured or unsecured; patent rights, copyrights, franchises, and any other classes and kinds of property defined by law as intangible personal property.

(t) Physical deterioration. "Physical deterioration" means a form of depreciation that measures the loss of utility of real or personal property over time from wear and tear, age, and exposure to the elements. Some physical deterioration may be curable and some physical deterioration may be incurable.

(u) Ready market. "Ready market" means a market, possibly global, where exchanges of machinery, equipment, personal fixtures and trade fixtures occur with such regularity and under such conditions as to provide a reliable measure of fair market value. Five conditions that may indicate a ready market are: the items of personal property being sold within the market are reasonable substitutes for each other; there are an adequate number of buyers and sellers of the personal property in the market, no one of whom can measurably affect price; there is an absence of artificial restraints and unusual incentives in the market; the item of personal property is reasonably free to be moved where it will receive the greatest return and buyers are reasonably free to buy where the price is lowest; and buyers and sellers are knowledgeable and informed about market conditions.

(v) Real estate. "Real estate" means the physical parcel of land, improvements to the land, improvements attached to the land, real fixtures and appurtenances such as easements.

(w) Real fixtures. "Real fixtures" means personal property that has been installed or attached to land or a building or group of buildings and is intended to remain permanently in its place. A consideration for whether personal property is a real fixture is whether its removal would cause significant damage to such property or to the real property to which it is attached. The term real fixtures shall not include trade fixtures. Real fixtures are classified as real property. Examples of real fixtures are plumbing, heating and cooling, and lighting fixtures.

(x) Real property. "Real property" means the bundle of rights, interests, and benefits connected with the ownership of real estate. Real property does not include the intangible benefits associated with the ownership of real estate, such as the goodwill of a going business concern.

(y) Replacement cost. "Replacement cost" for real property means the cost required to construct a similar structure with like utility as the subject property using modern design, materials,

and workmanship. Replacement cost for personal property means the current cost of a similar new item having the nearest equivalent utility as the subject property.

(z) Reproduction cost. "Reproduction cost" for real property means the cost required to construct an identical or exact replica structure of the subject property. Reproduction cost for personal property means the current cost of duplicating an identical new item.

(aa) Residual value. "Residual value" means the value of personal property that is at the end of its normally expected economic life but still in use.

(bb) Rural land. "Rural land" means any land that normally lies outside corporate limits, planned subdivisions, commercial sites, and industrial sites.

(cc) Salvage value. "Salvage value" means the value of personal property that is at the end of its normally expected economic life and has been taken out of use.

(dd) Small acreage break point. "Small acreage break point" means the point, expressed as a number of acres, at which the slope of a trend line, drawn through the plotted qualified sales of rural land on a graph, reflects a distinct and pronounced change. Such graph uses the dollars per acre on the vertical axis and numbers of acres on the horizontal axis. The small acreage break point should show the point below which the market factors of accessibility and desirability of the land primarily influence value, and above which the productivity of the soil and suitability for timber growth primarily influence value.

(ee) Small acreage tract. "Small acreage tract" means a rural land tract that is equal to or smaller in acres than the small acreage break point.

(ff) Tax situs. "Tax situs" means the location of personal property for ad valorem tax purposes.

(gg) Trade fixtures. "Trade fixtures" means fixtures that are owned and temporarily installed or attached to a rented space

or building by a tenant and used in conducting a business. For personal property to be classified as trade fixtures the lease or rental agreement has to show intent for the fixtures to be removed by the owner at the termination of the lease. Fixtures that revert to the landlord when the lease is terminated are not trade fixtures. Property shall not be classified as a trade fixture when the cost of removal, or damage that removal would cause to the realty, or to the fixture itself, clearly indicates that a tenant is unlikely to remove such fixture at the termination of the lease. Trade fixtures shall be classified as personal property.

(hh) Transitional real property. "Transitional real property" means any real property that is undergoing a change in use, such as residential, agricultural, commercial, or industrial, and has not been firmly established in its new use. Change in use may be evidenced by recent zoning changes, purchase by a known developer, affidavits of intent, or close proximity to property exposed to these market factors.

(ii) Trend. "Trend" means an observable tendency of behavior such as stable economic direction over extended periods despite temporary fluctuations.

Authority: O.C.G.A. §§ 48-2-12, 48-5-2, 48-5-269, 48-5-269.1.

RULES
OF
DEPARTMENT OF REVENUE
LOCAL GOVERNMENT SERVICES DIVISION

CHAPTER 560-11-10
APPRAISAL PROCEDURES MANUAL

560-11-10-0.2-.08 Personal Property Appraisal.

(1) Personal property identification. The appraisal staff shall identify personal property, determine its taxability, and classify it for addition to the county ad valorem tax digest in accordance with this paragraph.

(a) Distinguishing personal property. The appraiser shall be required to correctly identify personal property and distinguish it from real property where the proper valuation procedures, as set forth in this Rule, may be followed.

1. Examples. As used in this Chapter, personal property shall be that property defined in Rule 560-11-10-.02(1)(r). This Rule shall provide illustrations to assist the appraiser in the proper interpretation of the definition. However, these illustrations should not be construed in a manner that conflicts with the definition. Examples of personal property are tangible items such as aircraft; boats and motors; inventories of retail stock, finished manufactured or processed goods, goods in process, raw materials and supplies; furniture, personal fixtures, trade fixtures, machinery and equipment.

2. Identification of trade fixtures. When property the appraiser believes is a trade fixture has not been returned by the tenant, the appraiser shall require the tenant to produce their lease agreement and shall carefully review the agreement before making a recommendation to the board of tax assessors regarding the classification of the property in question. The

appraiser shall inform the tenant that they may redact, at their option, any information relating to the payments that are required by the lease agreement.

(b) Assessment date. Code section 48-5-10 provides that each return by a property owner shall be for property held and subject to taxation on January 1 of the tax year. The appraisal staff shall base their decisions regarding the taxability, tax situs, uniform assessment, and valuation of personal property on the circumstances of such property on January 1 of the tax year for which the assessment is being prepared. When personal property is transferred to a new owner or converted to a new use, the circumstances of such property on January 1 shall nevertheless be considered as controlling.

(c) Freeport exemptions.

1. Mailing applications. The appraisal staff shall, by U. S. mail, send a new freeport exemption application to any person, firm or corporation that was approved for freeport exemption by the board of tax assessors for the tax year proceeding the tax year for which the application is to be made. The application provided by the appraisal staff shall be deposited with the local post office no later than the 15th day after the official who is responsible for receiving returns has opened the books for returns. The failure of the appraisal staff to comply with this requirement shall not relieve a person, firm or corporation from the responsibility to timely file a freeport application.

2. Reviewing applications. The appraisal staff shall, upon receipt of a freeport application, reconcile the figures reported on such form to any inventory totals that may have been returned by the property owner. The appraisal staff may obtain relevant information as is available from financial records or other records of the property owner when needed to reconcile the figures reported on the application. Once the appraisal staff has completed the reconciliation of the freeport application, they shall forward the application and their recommendations, along with any supporting documentation, to the board of tax

assessors. When the appraisal staff recommends the freeport application be denied, in whole or in part, they shall include the reasons for their recommendation.

(d) Tax situs. The appraisal staff shall inquire into the proper tax situs of personal property before preparing the proposed assessment to ensure that the property owner is made subject to only those taxes that may legally be levied. The tax situs inquiry shall be sufficiently specific to determine whether the property is subject to tax by each of the authorities authorized to levy taxes in the county.

1. General tax situs. Unless otherwise provided in subparagraph (d) of this paragraph, the appraisal staff shall consider the tax situs of personal property to be as provided in this subparagraph.

(i) Tax situs of personal property of Georgia residents. The appraisal staff shall consider the tax situs of personal property owned by a Georgia resident as being the domicile of the owner unless such property has acquired a business situs elsewhere. The appraisal staff shall consider the tax situs of personal property owned by a Georgia resident and used in connection with a business as being the location of the business. In making the determination of tax situs, the appraisal staff shall consider such factors as the principal location of the personal property, the base from which its operations normally originate and whether the personal property is connected with some business enterprise that is situated more or less permanently in the county, as distinguished from an enterprise whose location is merely transitory or temporary. When personal property used in connection with a business is moved about in such a manner that it is not predominantly located during the year in one place, the appraisal staff shall consider the headquarters of the business as the tax situs.

(ii) Tax situs of personal property of non-residents. The appraisal staff shall consider the tax situs of personal property owned by non-residents as being where the property is located.

The appraisal staff shall recommend to the board of tax assessors a "no tax situs" status for any personal property owned by a nonresident who does not maintain a place of business in Georgia and who gives the personal property to a commercial printer in Georgia for printing services to be performed in Georgia.

2. Tax situs of boats. In accordance with Code section 48-5-16 (d), the appraisal staff shall consider the tax situs of a boat to be the tax district wherein lies the domicile of the owner, even when the boat is located within another tax district in the county. When the boat is functionally located for recreational or convenience purposes for 184 days or more in a county other than where the owner is domiciled, the appraisal staff shall consider the tax situs of the boat to be where it is functionally located.

3. Tax situs of aircraft. In accordance with Code section 48-5-16 (e), the appraisal staff shall consider the tax situs of an aircraft to be the tax district wherein lies the domicile of the owner, even when the aircraft is located within another tax district in the county. When the aircraft's primary home base is in a county other than where the owner is domiciled, the appraisal staff shall consider the tax situs of the aircraft to be where it is principally hangered or tied down and out of which its flights normally originate.

4. Tax situs of foreign merchandise in transit. The appraisal staff shall recommend to the board of tax assessors a "no tax situs" status for foreign merchandise that is in transit through this state. The recommendation of "no tax situs" shall be made regardless of the fact that while the foreign merchandise is in the warehouse it is assembled, bound, joined, processed, disassembled, divided, cut, broken in bulk, relabeled, or repackaged. The grant of "no tax situs" status shall be liberally construed. In deciding whether goods are foreign, the appraisal staff shall determine if the point of origin is a non-domestic shipping port. In deciding whether goods are

in transit, the appraisal staff shall consider whether the interruption in the transport of the goods may be characterized as having a business purpose or advantage, rather than just being an incidental interruption in the continuity of transit.

(e) Assessments of personal property used on state contracts. Under Code section 50-17-29 (e)(1), the appraisal staff shall not propose an assessment upon the personal property of any contractor or subcontractor as a condition to or result of the performance of a contract, work, or services by such contractor or subcontractor in connection with any project being constructed, repaired, remodeled, enlarged, serviced, or destroyed for, or on behalf of, the state or any of its agencies, boards, bureaus, commissions, and authorities. The appraisal staff shall inquire into the nature of the use of such property and prepare their proposed assessment in accordance with this Subparagraph.

1. Personal property located in headquarters' county. When the tax situs of the personal property being used on state projects is in the same county as where the property owner's permanent business headquarters and administrative offices are located, and such property is not used exclusively for the state projects contemplated by Code section 50-17-29 (e)(1), the appraisal staff shall not apportion their proposed assessment of the property. When such property is used exclusively for such state projects, such property is made exempt by Code section 50-17-29 (e)(1) from ad valorem taxation by the county and the appraisal staff shall treat such property as exempt property is treated.

2. Personal property not located in headquarters' county. When the tax situs of the personal property being used on state projects is in a county other than where the property owner's permanent business headquarters and administrative offices are located, and such property would not be located in the county absent the state projects, then the appraisal staff shall apportion their proposed assessment of such property as

follows: The exempt portion of the personal property being used on state projects shall be that pro rata portion of the total value of such property that represents the percentage the contractor or subcontractor can reasonably demonstrate is likely to represent the portion of their business that will result from state projects during the tax year. The appraisal staff may consider the percentage of income, production output, or time attributable to state projects during the preceding year. The appraisal staff shall consider any information submitted by the property owner regarding the basis for the apportionment. The appraisal staff shall not apportion the personal property when the property owner fails to provide reasonable evidence necessary to determine the portion of the property owner's business that will result from state projects during the year.

(f) Partial assessments. Unless specifically provided by law and this Rule, the appraisal staff shall not prepare a partial appraisal based on the fact that personal property is owned or used during the year in a manner that would make it exempt part of the year and taxable part of the year.

(2) Classification. The appraisal staff shall classify personal property as provided in Rule 560-11-2-.21 for inclusion in the county tax digest.

(3) Return of personal property. In accordance with Code section 48-5-299 (a), the appraisal staff, on behalf of the board of tax assessors, shall investigate diligently and inquire into the property owned in the county for the purpose of ascertaining what real and tangible personal property is subject to taxation in the county and to require the proper return of the property for taxation. The appraisal staff 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. In all cases where taxes are assessed against the owner of property, the appraisal

staff shall prepare a proposed assessment on the property according to the best information obtainable.

(a) Information sources. The appraisal staff should develop and maintain information sources for the discovery of unreturned personal property.

(b) Returns. Property owners shall use Department of Revenue authorized return forms when returning personal property. No other forms shall be provided for this purpose to property owners by the county official responsible for receiving returns unless previously approved in writing by the Revenue Commissioner.

1. Authorized return forms. The returns described in this subparagraph shall be authorized for use when returning personal property.

(i) Form PT-50P. The return form PT-50P, entitled "Business Personal Property Tax Return," may be used for the return of business personal property when the property owner is not eligible or does not desire to file an application for freeport exemption.

(ii) Form PT-50PF. The return form PT-50PF, entitled "Business Personal Property Tax Return / Application for Freeport Exemption," may be used for the return of business personal property and simultaneous application for freeport exemption.

(iii) Form PT-50MA. The return form PT-50MA, entitled "Marine / Aircraft Personal Property Tax Return," may be used for the return of boats or aircraft.

2. Obtaining returns from receiver. Each year, after the deadline for filing returns, the appraisal staff shall secure the returns from the official responsible for receiving returns on or before the tenth day following such deadline.

3. Automatic returns. In accordance with Code section 48-5-20, the appraisal staff shall deem any property owner that does not file a return by the deadline as returning for taxation the same property as was returned or deemed to have been

returned in the preceding tax year at the same valuation as the property was finally determined to be subject to taxation in the preceding year.

(c) Reporting schedules. Property owners shall use Department of Revenue authorized reporting schedules when reporting supporting information for authorized return forms. No other reporting schedules shall be provided for this purpose to property owners by the county official responsible for reviewing returns unless previously approved in writing by the Revenue Commissioner. A property owner may attach other schedules or documents that provide further support for the value they have placed on their personal property return. The appraisal staff shall consider all additional information submitted by the property owner with the return and reporting schedules. The reporting schedules required by Rule 560-11-10-.08(3)(c) and appropriate for the type of personal property being returned and any other information submitted with the return by the property owner are made confidential by Code section 48-5-314 and shall be treated as such by the appraisal staff. The appraisal staff shall not consider as fully returned any property that is omitted, misrepresented, or undervalued on the supporting reporting schedules and accompanying property owner documents, as these provide the basis for the property owner's declarations of value on the return and are necessary for the board of assessors to carry out their responsibility under Code section 48-5-299 to, through their appraisal staff, ascertaining what personal property is subject to taxation in the county and to require the proper return of the property for taxation.

1. Authorized reporting schedules. The reporting schedules described in this subparagraph shall be authorized for use when reporting information to support the return of personal property.

(i) Schedule A. The reporting schedule entitled "Schedule A" may be used to list and describe any furniture, trade fixtures,

personal fixtures, machinery and equipment that is included on the property owner's return.

(ii) Schedule B. The reporting schedule entitled "Schedule B" may be used to list and describe any inventory that is included on the property owner's return.

(iii) Schedule C. The reporting schedule entitled "Schedule C" may be used to list and describe any construction in progress that is included on the property owner's return.

(iv) Schedule D. The reporting schedule entitled "Schedule D" may be used to list and describe any boats or aircraft that are included on the property owner's return.

(4) Verification. The appraisal staff shall review and audit the returns in accordance with policies and procedures set by the county board of tax assessors consistent with Georgia law and this Rule.

(a) Omissions and undervaluations. If not otherwise prohibited by law or this Rule, the appraisal staff shall recommend an additional assessment to the board of tax assessors when any review or audit reveals that a property owner has omitted from their return any property that should be returned or has failed to return any of their property at its fair market value. The appraisal staff shall recommend a reduced assessment to the board of tax assessors when any review or audit reveals that a property owner has overstated the amount of personal property subject to taxation.

(b) Reassessments. The appraisal staff shall recommend to the board of tax assessors a new assessment when the property owner has omitted personal property from their return or failed to return personal property at its fair market value, when such omission or undervaluation has been discovered by an audit conducted pursuant to Rule 560-11-10-.08(4)(d). The appraisal staff shall not be precluded from conducting such an audit merely because a change of assessment has been made on the personal property as a result of a review conducted

pursuant to Rule 560-11-10-.08(4)(c). However, the appraisal staff may not recommend to the board of tax assessors a reassessment of the same personal property for which an audit has been conducted pursuant to Rule 560-11-10-.08(4)(d) and a final assessment has already been made by the board.

(c) Review. The purpose of a review is to determine if a property owner has correctly and fully completed their return and reporting schedules. It is based upon the good-faith disclosures of the property owner and information that is readily ascertainable by the appraisal staff. The review of an owner's return may consist of, but is not limited to, an analysis of any improper omissions or inclusions, improperly applied or omitted depreciation, and improperly applied or omitted inflation or deflation of the value of the owner's property. The examination should include a comparison of the current return information with return information from prior years. The appraiser should contact the owner or their agent by an on-site visit, telephone call, or written correspondence to attempt to resolve any questionable items. Returns with unresolved discrepancies, unexpected values, or incomplete information should be escalated to an audit.

(d) Audits. The purpose of an audit is to gather information that will allow the appraiser to make an accurate determination of the fair market value of the property owned by the property owner and subject to taxation. An audit is an examination of the records of the property owner to make an independent determination of the fair market value of such property where such determination does not solely depend upon the good-faith disclosures of the property owner and information that is readily ascertainable by the appraisal staff. The appraisal staff shall perform, consistent with Georgia Law and policies that are established by the board of tax assessors, audits of the records of the property owners to verify the returns of personal property. These audits may take place at any time within the seven-year statute of limitations, which begins on the date the personal property was required by law to be returned.

1. Scope of audit. The audit may be an advanced desk audit of certain additional property owner records that are voluntarily submitted or obtained by subpoena from the property owner or a complex on-site detailed audit of the property owner's books and records combined with a physical inspection of the personal property. The documents the appraisal staff should secure include, but are not limited to, schedules A, B, and C of form PT-50P; a balance sheet or other type of financial record that for a particular location reflects the business' book value as of January 1 of the tax year being audited; a ledger of capitalized personal property items held on January 1 of the tax year being audited; and an income statement.

(i) Use of subpoena. The appraiser should request the board of tax assessors to subpoena, within the limitations of their subpoena powers, any existing documents the property owner fails to provide voluntarily, when these documents are deemed by the appraiser to be critical to the audit. Since the appraiser may not request a subpoena for documents that do not presently exist in the format needed, the appraiser should seek existing documents held by the property owner and solicit the owner's voluntary cooperation in obtaining these documents.

2. Contracts with auditing specialists. The appraiser shall secure non-disclosure statements from any contracted audit specialist to ensure that such specialist shall conform with the confidentiality provisions of Code section 48-5-314 and shall not disclose the property owner's confidential records to unauthorized persons or use such confidential records for purposes other than the county's review for ad valorem tax purposes of the tax return and supporting documentation. The appraisal staff shall provide a copy of such non-disclosure statement to the property owner upon such owner's request. The appraiser shall not recommend to the board of tax assessors any contract or agreement with an audit specialist that provides for such specialist to contingently share a percentage of the tax collected as a result of any audits such specialist may perform.

(i) Notice to property owner. The lead appraiser shall ensure the property owner is sent a notice they have been selected for an audit of their personal property holdings for ad valorem tax purposes. The notice shall, at a minimum, indicate the following: the purposes and goals of the audit and the law authorizing the audit; the name of the lead appraiser who is primarily responsible for the conduct of the audit; the names of the members of the audit team that will be performing the audit; the number of years that will be audited; a description of the type records that should be made available; a description of how the audit will be conducted; the range of dates desired for the audit; and contact information should the property owner wish to contact the lead appraiser. The notice shall contain a statement that the lead appraiser will be contacting the property owner by telephone to establish the date and time of the audit and to determine the availability and location of records. At the conclusion of the audit, if there is sufficient evidence to warrant a recommended change of assessment, the lead appraiser shall have prepared a list of preliminary audit findings and provide such list to the property owner to afford them an opportunity to meet and discuss the findings and view any supporting schedules and documents relied upon by the individuals conducting the audit. After any such meeting requested by the property owner, the lead appraiser shall have prepared the final audit report and proposed assessment and provide a copy to the property owner and the board of tax assessors.

(e) Audit selection criteria. The appraisal staff shall recommend to the board of tax assessors a review and audit 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 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.

(f) Property owner records. The appraisal staff should first endeavor to obtain the records necessary to substantiate the information returned or reported by the property owner through the voluntary cooperation of the property owner. When such voluntary cooperation is not forthcoming, and the records requested from the property owner are believed by the appraiser to be critical to a proper appraisal of the personal property, the appraiser may request that the board of tax assessors issue an appropriate subpoena for such records. The appraiser may request that the board of tax assessors issue an appropriate subpoena for the testimony of any individuals the appraiser believes poses knowledge critical to determination of the fair market value of the property owner's personal property.

1. Record types. The types of records the appraisal staff may request the board of tax assessors to issue subpoenas for include, but are not limited to, the following: chart of accounts, general ledger, detailed subsidiary ledgers, journals of original entry, balance sheet, income statement, annual report, Securities Exchange Commission Form 10K. The types of records the appraisal staff may not request the board of tax assessors to issue subpoenas for include the following:

(i) Income tax returns. Forms and schedules authorized by the Internal Revenue Service or the revenue collecting agencies of the several states for use in filing income tax returns to those agencies;

(ii) Property appraisals. A property appraisal that the property owner has obtained prior to any appeal that is filed as a result of a change of assessment being made to the property owner's personal property;

(iii) Insurance policies. An insurance policy that may contain valuation estimates of the insured personal property; or

(iv) Tenant sales information. A rent roll or document containing the individual tenant sales information on the property owner's rented or leased personal property.

(5) Valuation procedures. The appraisal staff shall follow the provisions of this paragraph when performing their appraisals. Irrespective of the valuation approach used, the final results of any appraisal of personal property by the appraisal staff shall in all instances conform to the definition of fair market value in Code section 48-5-2 and this Rule.

(a) General procedures. The appraisal staff shall consider the sales comparison, cost, and income approaches in the appraisal of personal property. The degree of dependence on any one approach will change with the availability of reliable data and type of property being appraised.

1. Information presented by property owner. The appraisal staff shall consider any timely information presented by the property owner that may have reasonable relevance to the appraisal of the owner's personal property. The appraisal staff shall consider the effect of any factors discovered during the review or audit of the return or directly presented by the property owner that may reduce the value of the owner's personal property, including, but not limited to all forms of depreciation, shrinkage, theft and damage.

2. Selection of approach. With respect to machinery, equipment, personal fixtures, and trade fixtures, the appraisal staff shall use the sales comparison approach to arrive at the fair market value when there is a ready market for such property. When no ready market exists, the appraiser shall next determine a basic cost approach value. When the appraiser determines that the basic cost approach value does not adequately reflect the physical deterioration, functional or economic obsolescence, or otherwise is not representative of fair market value, they shall apply the approach or combination of approaches to value that, in their judgment, results in the

best estimate of fair market value. All adjustments to the basic cost approach shall be documented to the board of tax assessors.

3. Rounding. The appraisal staff may express the final fair market value estimate to the board of tax assessors in numbers that are rounded to the nearest hundred dollars.

(b) Special procedures. The appraisal staff shall observe the procedures in this Subparagraph when appraising inventory and construction in process.

1. Valuation of inventory. When appraising inventory, the appraisal staff shall consider the value of inventory to consist of all the charges incurred from its original state as raw material to its final resting place for ultimate consumption, including such items as freight and other overhead charges, with the exception of the cost of the final sale. The appraisal staff shall also consider factors contributing to any loss of value including, but not limited to, obsolescence, shrinkage, theft and damage.

2. Construction in progress. Property owners who are constructing or installing a large piece or line of production equipment may be required by generally accepted accounting principles to accrue the total costs associated with such equipment in a holding account until the construction or installation is complete and the equipment is ready for production, at which time, the property owner is permitted by such principles to post the total cost to a fixed asset account, taking appropriate depreciation. If such holding account is maintained by the property owner, the appraisal staff shall consider the total cost reported in the property owner's holding account when appraising such property. Construction in progress shall be appraised in the same manner as other similar personal property taking into account that there may be little or no physical deterioration on such property and that the fair market value may be diminished due to the incomplete state of construction. If comparable sales information of personal property under construction is generally not available

and there is no other specific evidence to measure the probable loss of value if the property is sold in an incomplete state of construction, the appraisal staff may multiply the identified total cost of construction by a uniform market risk factor of .75.

3. Overhauls. When appraising machinery, equipment, furniture, personal fixtures, and trade fixtures, the appraisal staff shall consider the cost of all expenditures, both direct and indirect, relating to any efforts to overhaul an asset to modernize, rebuild, or otherwise extend the useful life of such asset. The following procedure is to be used by the appraisal staff to estimate the value of an overhauled asset: An adjustment to the original cost of the asset is made to reflect the cost of the components that have been replaced. The cost of the overhaul is divided by an index factor representing the accumulated inflation or deflation from the year of acquisition of the asset on which the overhaul was performed to the year of the overhaul. This amount is then subtracted from the original cost of the asset being overhauled. The remainder is then multiplied by the composite conversion factor for the year of the original acquisition as specified in Rule 560-11-10-.08(5)(f)(4)(iii) of this section. The current year's composite conversion factor is then applied to the cost of the overhaul, and these two figures are combined to represent the estimate of value for the overhauled asset.

(c) Level of trade. The appraisal staff shall recognize three distinct levels of trade: the manufacturing level, the wholesale level, and the retail level. The appraiser shall take into account the incremental costs that are added to a product as it advances from one level to another that may increase its value as a final product. The appraisal staff shall value the property at its level of trade.

(d) Ready markets. When the appraiser lacks sufficient evidence to demonstrate the existence of a ready market, he or she shall consider any evidence submitted by the property owner demonstrating that a ready market is available. When

the property owner cannot prove the existence of a reliable ready market, the appraiser may use other valuation approaches as authorized by law and Rule 560-11-10-.08(5).

1. Liquidation sales. The appraisal staff should recognize that those liquidation sales that do not represent the way personal property is normally bought and sold may not be representative of a ready market. For such sales, the appraisal staff should consider the structure of the sale, its participants, the purchasers, and other salient facts surrounding the sale. After considering this information, the appraisal staff may disregard a sale in its entirety, adjust it to the appropriate level of trade, or accept it at face value.

(e) Sales comparison approach. The sales comparison approach uses the sales of comparable properties to estimate the value of the subject property being appraised.

1. Widely used pricing guides. The appraisal staff should make a reasonable effort to obtain and use generally accepted pricing guides that are published and widely used within the market. When using such a guide to estimate the comparative sales approach value, the appraiser shall begin with the listed retail price and then make any value adjustments as provided in the guide instructions, based on the best information available about the subject property being appraised.

2. Lesser-known pricing guides. The property owner may submit, and the appraisal staff shall consider, lesser known publications, periodicals and price lists of the specific types of personal property being returned. Such lists should be regularly consulted by buyers of the type personal property reported, and should list prices at which sellers, who regularly deal in the types of property reported, typically offer such property for sale.

(i) Validation of lesser pricing guides. In all cases where unpublished, unrecognized, or unverified sales data are submitted by the property owner, the steps the appraiser may take to validate such data include, but are not limited to, the following:

(I) Arm's length transactions. as defined in OCGA 48-5-2(.1): “Arm’s length, bona fide sale’ means a transaction which has occurred in good faith without fraud or deceit carried out by unrelated or unaffiliated parties, as by a willing buyer and a willing seller, each acting in his or her own self-interest, including but not limited to a distress sale, short sale, bank sale, or sale at public auction.” Transactions where the lien holder receives or repossesses the property, and deed under power of sale transactions are not to be applied as an arm’s length transaction.

(II) Representativeness. Verify that the sales data submitted is either all-inclusive or has been randomly selected, so as to be unbiased and fairly represent the market for the personal property being appraised. This may be accomplished by contacting known dealers of the subject personal property to determine whether other significant market data exists that supports the data submitted by the property owner.

(III) Financing. Adjust the sale price of the subject property for non-conventional financing.

(IV) Time of sale. Adjust the sale price of the subject property for the date of sale in order to estimate the value as of the January 1 assessment date.

(V) Discounts. Adjust the sale price to remove trade and cash discounts.

(VI) Comparability. Adjust the sale price of the subject property for characteristics of the subject not found in the sales to which it is being compared, such as condition, use, and extra or missing features.

3. Other factors. To finalize the sales comparison approach, the appraiser shall consider any other factors, appropriate to the approach, which may be affecting the value. When the comparative sales approach is used as the basis for the appraisal of personal property, the appraiser shall not make further adjustments to the value to reflect economic obsolescence, functional obsolescence, or inflation.

(f) Cost approach. The cost approach arrives at an estimate of value by taking the replacement or reproduction cost of the personal property and then reducing this cost to allow for physical deterioration, functional and economic obsolescence.

1. General procedure. In applying the cost approach to personal property during a review or audit of a return, the appraiser shall identify the year acquired, and total acquisition costs, including installation, freight, taxes, and fees. The acquisition costs shall then be adjusted for inflation and deflation and then depreciated as appropriate to reflect current market values.

2. Book value. The appraiser should recognize that the appraisal and accounting practices for depreciating personal property might differ. Accounting practices provide for recovery of the cost of an asset, whereas appraisal practices strive to estimate the fair market value related to the current market. The appraiser should consider depreciation in the forms of physical deterioration, functional obsolescence, and economic obsolescence, which may not necessarily be reflected in the book value. The appraiser should consider that accounting practices of property owners might also differ.

3. Valuation as a whole. The appraiser may arrange the individual items of personal property into groups with similar valuation characteristics and value such group as a whole when the itemized appraisals of each item of personal property will not add substantially to the accuracy of the determination of the cost approach value.

4. Basic cost approach. The appraisal staff shall determine the basic cost approach value of machinery, equipment, furniture, personal fixtures, and trade fixtures using the following uniform four-step valuation procedures: Determine the original cost new of the item of personal property to the property owner; determine the uniform economic life group for the item of personal property; and multiply the original cost new times the uniform composite conversion factor appropriate for

the economic life group and actual age of the item of personal property. Then determine a salvage value of any item of personal property when it is taken out of use at the end of its expected economic life.

(i) Original cost new. The appraisal staff shall determine the original cost new of the item of machinery, equipment, furniture, personal fixtures, and trade fixtures. Any real improvements to the real property, including real fixtures that had to be installed for the proper operation of the property, shall be included in the appraisal of the real property and not included in the basic cost approach value of the personal property. Those portions of transportation costs and installation costs that do not represent normal and customary costs for the type personal property being appraised shall be excluded from the original cost new when determining the basic cost approach value.

(ii) Economic life groups. When determining the basic cost approach value of machinery, equipment, furniture, personal fixtures, and trade fixtures, the appraisal staff shall separate the individual items of property into four economic life groupings that most reasonably reflect the normal economic life of such property as specified in this subparagraph. The appraiser shall use Table B-1 and B-2 of Publication 946 of the U.S. Treasury Department Internal Revenue Service, as revised in 1998, to classify the individual asset into the appropriate economic life group. For property that does not appear in such publication, the appraisal staff may determine the appropriate economic life group based on the best information available, including, but not limited to, the property owner's history of purchases and disposals.

(I) Group I. The appraisal staff shall place into Group I any assets that have a typical economic life between five and seven years.

(II) Group II. The appraisal staff shall place into Group II any assets that have a typical economic life between eight and twelve years.

(III) Group III. The appraisal staff shall place into Group III any assets that have a typical economic life of thirteen years or more.

(IV) Group IV. The appraisal staff shall place into Group IV any assets that have a typical economic life of four years or less. The appraisal staff shall also place into Group IV those assets classified as Asset Class 00.12 in Publication 946 of the U.S. Treasury Internal Revenue Service, Table B-1, as revised in 1998.

(iii) Composite conversion factors. The appraisal staff shall, in accordance with this Rule, use the composite conversion factors as provided in this subparagraph and apply the appropriate factor to the original cost new of personal property to arrive at the basic cost approach value. The last composite conversion factor in each economic life group shall not be trended and shall represent the residual value.

(I) Group I composite conversion factors. The following composite conversion factors shall be applied to Group I assets to arrive at the basic cost approach value for years one through seven: Y1-.87, Y2-.74, Y3-.58, Y4-.43, Y5-.32, Y6-.26, Y7-.21. Thereafter the residual composite conversion factor shall be .20.

(II) 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.

(III) 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.

(IV) 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.

(iv) Basic cost approach value. The basic cost approach value shall be determined by multiplying the composite conversion factor times the original cost new of operating machinery, equipment, furniture, personal fixtures, and trade fixtures.

(v) Salvage value. Once personal property is taken out of service at or after the end of its typical economic life, it shall be considered salvage until disposed of and the appraiser shall determine a basic cost approach value by taking ten percent of the original cost new of such property. The basic cost approach value for property withdrawn from active use but retained as backup equipment shall be one-half the basic cost approach value otherwise applicable for such property.

5. Further depreciation to basic cost approach value.

(i) Physical deterioration. The appraiser shall consider any evidence presented by the property owner demonstrating physical deterioration that is unusual for the type of personal property being appraised.

(ii) Functional obsolescence. The appraisal staff shall consider any evidence presented by the property owner demonstrating functional obsolescence for the type of personal property being appraised. One method the appraisal staff may use to determine the amount of functional obsolescence is to trend the original cost new for inflation to arrive at the reproduction cost new, and then deduct the cost of a newer replacement model with similar or improved functionality.

(iii) Economic obsolescence. The appraisal staff shall consider any evidence presented by the property owner demonstrating economic obsolescence for the type of personal property being appraised. One method the appraisal staff may

use to determine the amount of economic obsolescence is to capitalize the difference between the economic rent of an item of personal property before and after the occurrence of the adverse economic influence.

(g) Income approach. The income approach to value estimates the value of personal property by determining the current value of the projected income stream. This approach is most applicable to machinery, equipment, furniture, personal fixtures, and trade fixtures. The approach should only consider the income directly attributable to the personal property being valued and not the income attributable to the real or intangible personal property forming the same business. The appraisal staff may use one of the following methods when using the income approach for the appraisal of applicable personal property:

1. Straight-line capitalization method. The straight-line capitalization method estimates the income approach value of personal property by computing the investment necessary to produce the net income attributable to the personal property. In essence, it is determined by first computing the potential gross income for a subject property by taking the monthly rent, when that is the rental basis, and multiplying that total by twelve months. The potential gross income is then adjusted to a net operating income by subtracting any expenses that legitimately represent the costs necessary for production of that income. The net operating income will represent the amount of revenue left after operating expenses that is available to return the investment, pay property tax on the property, and return a profit to the owner.

(i) Income and expense analysis. While complete data is not required on each individual property, there must be sufficient data to develop typical unit rents, typical collection loss ratios, and typical expense ratios for various type properties. Income and expense figures used in the income approach must reflect current market conditions and typical management. Actual

figures may be used when they meet this criterion. When actual figures are not available or appear to be unrepresentative, typical figures should be used. Income and expense analysis builds upon the following important components: typical unit rent, potential gross rent, collection loss, typical gross income, typical expenses, and typical net income. Excluded are expenses such as depreciation charges, debt service, income taxes, and business expenses not associated with the property.

(ii) Capitalization. Capitalization involves the conversion of typical net income into an estimate of value. The estimated income is divided by the capitalization rate to arrive the estimated income approach value. The capitalization rate consists of three components. The discount rate, the recapture rate, and the effective tax rate. The discount rate represents the amount of return a prudent investor could reasonably expect on an investment in the subject property. The recapture rate represents the return of the potential investment. The effective tax rate represents the portion of the income stream allocated to pay resulting ad valorem taxes on the property.

(I) Discount rate. The appraiser should calculate the appropriate discount rate through a method known as the band of investment. The band of investment represents the weighted-average cost of the money needed to purchase the applicable personal property. The appraiser determines the percentage of the cost typically borrowed and multiplies this percentage times the typical cost of borrowing. The appraiser then determines the remaining percentage of the cost typically contributed by an investor and multiplies this percentage times the expected rate of return to the investor. An analysis of similar properties might reveal the discount rate typical for a property of a given type.

(II) Recapture rate. The appraiser should calculate the recapture rate by dividing one by the number of years remaining in the economic life of the subject property. The resulting percentage is the current year's recapture rate.

(III) Effective tax rate. The appraiser should calculate the effective tax rate by multiplying the forty percent assessment level times the tax rate in the jurisdiction in which the subject property is located. The effective tax rate is included in the capitalization rate because market value is yet unknown and property taxes can be addressed as a percentage of that unknown value in lieu of their inclusion as an expense in calculation of net annual income.

2. Direct sales analysis method. The direct sales analysis method estimates the income approach value of personal property by computing the relationship between income and sales data. This relationship is expressed as a factor. The method represents a blend of the sales comparison and income approaches because it involves application of income data in conjunction with sales data. Sales of items similar to the subject property are divided by the gross rents, for which they or identical properties are leased, to develop gross income multipliers. A gross income multiplier is selected as typical for the market, and multiplied against the gross income of the subject, or that of an identical property, to result in an estimated value. Limiting the income to rental income only produces a gross rental multiplier.

(i) Gross income or rent multiplier. The appraiser should compute the gross income multiplier by dividing the typical gross income on the personal property by the typical sales price of the personal property. The appraiser should compute the gross rent multiplier by dividing the typical gross rent on the personal property by the typical sales price of the personal property. The appraiser must identify the specific item of personal property to be valued and determine the typical gross income as gross income is determined in Rule 560-11-10-.08(5)(g)(1)(i). The item is then stratified according to its typical use. Typical use strata may include, but are not limited to, office equipment, light-duty manufacturing equipment, heavy-duty manufacturing equipment, retail sales equipment, furniture, personal fixtures, trade fixtures, restaurant equipment, or any

other stratum the appraiser believes will have similar sensitivity to market fluctuations as the subject item. The appraiser may develop an individual multiplier on a single item of personal property when there are sufficient sales and rent information. This multiplier may then be used for similar items of personal property for which there may be limited sales and rent information. The income approach value estimate is computed by multiplying the estimated gross income times the gross income multiplier or the gross rent times the gross rent multiplier.

(I) Adjustments. Income data and sales prices used in the development of income multipliers should be reasonably current. Older sales may be matched against recent income figures when the sales are adjusted for time. Sales must also be adjusted for financing, condition, optional equipment, and level-of-trade.

(6) Final estimate of fair market value. After completing all calculations, considering the information supplied by the property owner, and considering the reliability of sales, cost, income and expense information, the appraiser will correlate any values indicated by those approaches to value that are deemed to have been appropriate for the subject property and form their opinion of the fair market value. The appraisal staff shall present the resulting proposed assessment, along with all supporting documentation, to the board of tax assessors for an assessment to be made by that board.

Authority: O.C.G.A. §§ 48-2-12, 48-5-2, 48-5-5, 48-5-10, 48-5-11, 48-5-12, 48-5-16, 48-5-18, 48-5-20, 48-5-105, 48-5-105.1, 48-5-269, 48-5-269.1, 48-5-299, 48-5-300, 48-5-314, 50-17-29.

Standard on Valuation of Personal Property

Approved December 2005

International Association of Assessing Officers

The assessment standards set forth herein represent a consensus in the assessing profession and have been adopted by the Executive Board of the International Association of Assessing Officers. The objective of these standards is to provide a systematic means by which concerned assessing officers can improve and standardize the operation of their offices. The standards presented herein are advisory in nature and the use of, or compliance with, such standard is purely voluntary. If any portion of these standards is found to be in conflict with state law or the Uniform Standards of Professional Appraisal Practice (USPAP), USPAP and state law shall govern.

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Standard on Valuation of Personal Property

1. Scope

This standard is intended to provide recommendations for defining, classifying, discovering, reporting, verifying, and valuing personal property for ad valorem tax purposes. It is beyond the scope of this standard to address unique valuation issues that may arise in the appraisal of personal property associated with public utilities, telecommunications, railroads, or similar properties.

2. Introduction

The purpose of this standard is to present methods and techniques that assessing officers can use to achieve uniform and equitable personal property valuations. Effective administration of a personal property assessment system depends, in part, on legislation and regulations that provide clear direction for determining the proper status of personal property for assessment and taxation. Such administration also requires an adequate budget to obtain the resources necessary to assess personal property accurately and equitably.

3. Definition of Personal Property

Property means an aggregate of things or rights to things whose possession is protected by law.

Two broad categories of property are real and personal. “Real property is the rights, interests, and benefits connected with *real estate*. Real estate is the physical parcel of land, improvements to the land (such as clearing and grading), improvements attached to the land (such as paving and buildings), and appurtenances (such as easements that cross the parcel or give access to the parcel). Personal property is defined by exception: property that is not real is personal. The salient characteristic of personal property is its movability without damage either to itself or to the real estate to which it is attached” (International Association of Assessing Officers 1990, 76).

Personal property by its nature is not permanently attached and therefore is movable. Criteria for distinguishing whether an item is real or personal property in a particular situation usually include intent of owner, means of attachment, contribution to highest and best use of the property (real estate), relevant case law including sales and use tax cases if considered relevant, and statutory, regulatory, and legal guidelines.

Personal property is divisible into two classes—tangible and intangible. Examples of tangible personal property are material items such as animals, marine vessels, aircraft, motor vehicles, furniture and fixtures, machinery and equipment, tools, dies, jigs, patterns, and stock in trade (in-

cluding inventories held for resale, supplies, and materials in process). Examples of intangible personal property are representations of rights of ownership to property—cash, shares, annuities, patents, stocks, bonds, notes receivable, insurance policies, accounts receivable, licenses, contracts, franchises, money market certificates, certificates of deposit, and copyrights—as well as goodwill.

An assessment statute should explicitly define the types of personal property subject to and exempt from assessment and taxation. State and provincial agencies should provide supporting rules, regulations, and guidelines as required. Legislation should also explicitly define the situs (location for tax purposes) of personal property and should specify a common assessment date for all taxing authorities.

4. Discovery of Personal Property

The extent to which personal property can be assessed depends upon its discovery. Complete discovery requires adequately trained staff and supporting resources. Taxation agencies should be empowered to issue binding rules and regulations covering the discovery of personal property. Disclosure of personal property is often contingent on identifying the owner of the property. Sources that may be useful in the discovery of personal property and its owners include the following:

- previous assessment records and previous personal property statements or returns
- physical inspection (on-site review)
- personal property listing form, return, rendition, declaration, or statement
- real property field appraiser reports and the property characteristic file
- audits (desk, office, field, or correspondence)
- state, provincial, and local sales tax permits
- federal, state, provincial, municipal, and county business licenses and registrations
- building permits
- chambers of commerce membership lists
- new business listings from news media
- public records (such as trade name records, Uniform Commercial Code [UCC] forms, corporation charters, partnership articles, and assumed name notices)
- property transfer documents, including recorded bill(s) of sale

- classified advertisements
- telephone directories
- city directories
- accounting records, including financial statements
- various state and federal tax returns (usually restricted to audit records)
- Internet research on business operations and contacts
- Web sites, specifically leasing and sales
- advertisement flyers
- other resources that can be helpful include access to governmental databases—Department of Motor Vehicles (DMV) or Department of Revenue records providing lists of manufactured home owners or lists of corporate taxpayers by jurisdiction.

Once the property has been discovered and the owner identified, an appraiser should inspect the property and establish an account or record for the owner (or business). The appraiser should speak to the owner, manager, or other authorized person; explain the purpose of the visit; and obtain the necessary data. A standard form or checklist, showing the date of inspection, should be used to verify ownership, the nature of the property, and the situs as of the assessment date.

Information that should be obtained about a business includes the following:

- name of the business
- type of business (e.g., restaurant or hotel)
- type of ownership (e.g., sole proprietorship, partnership, franchise, or corporation)
- mailing address of the business
- name and address of the owner(s)
- telephone number of the business
- name/title of the person supplying the information
- name, address, and telephone number of the party keeping records for the business
- beginning date of the business within the assessment jurisdiction
- e-mail addresses
- North American Industrial Classification System codes (NAICS) (formerly known as Standard Industrial Codes [SIC] in the U.S.)

Fiscal year information that should be obtained about the personal property of the business includes the following:

- a complete listing of all tangible personal property, including machinery, equipment, furniture, fixtures, computers, and other tangible fixed assets with their location, year purchased and year manufactured, and acquisition or construction cost together with what is included in this cost amount, such as shipping, freight, sales tax, licenses, and so forth
- a complete listing, with full descriptions and costs, of all leasehold improvements, noting which items may already be assessed as real property
- a complete listing of leased equipment with the name and address of the lessor, information on the equipment (including name of manufacturer, date of manufacture, description, model number, serial number, list price, and original cost, if available), lease number, and terms of lease (if possible, a copy of the lease agreement should be obtained)
- a complete listing of loaned or consigned items including a brief description (e.g., vending machines), and the name and address of their owner(s)
- a complete listing of items in inventory, rented or leased as part of the business' normal operation

5. Reporting of Personal Property

The physical inspection and listing of individual personal property items is dictated by time, financial resources, and the availability of trained personnel. Typically, these constraints require the use of a reporting form (also called a rendition, return, schedule, or listing) completed by the taxpayer or the taxpayer's agent. All reporting forms should be subject to audit by the assessor, or the assessor's agent, to determine the accuracy and validity of the information provided in the return document. The assessor should mail reporting forms or make them available early enough to allow for their timely completion. Forms and instructions should also be available on the assessor's Web site. The assessor's mailing address and telephone number should always be included on the listing form. Web sites and all documents sent from the assessor's office should include the office's e-mail address.

The first year a taxpayer files a reporting form, the information reported should include a listing of all personal property giving a description, date acquired, and original acquisition or construction cost of each item. If an item was acquired used, the manufacture date and historic cost of the item should be determined if possible. In subsequent years, the taxpayer may be asked to report

only additions and deletions to the initial listing, with appropriate details and costs. This system promotes verification and valuation accuracy. Value trending and depreciation factors can be applied to each item individually or to a group of items, such as furniture, fixtures, and equipment (FF&E), acquired in a given year.

The form should contain sufficient instructions to help the taxpayer prepare and file a complete and accurate listing of all taxable personal property. The instructions on the form should also specify the reporting method required and give specific instructions on how to report construction in progress, acquisition costs (including installation, freight, taxes of all types, and fees), and expensed and fully depreciated assets as well as leased assets. The form should contain a statement that all listings are confidential and are subject to audit.

Implementation of an electronic filing process should be considered in order to provide a high level of customer service. The American National Standards Institute (ANSI) has approved electronic data interchange standards through the Accredited Standards Committee (ASC X12 transaction data sets). This standard enables taxpayers with accounts in multiple jurisdictions to efficiently automate the annual filing of personal property returns.

6. Verification and Auditing

6.1 Authority

Statutes should contain enabling language for regulatory compliance and enforcement measures. Such laws should give assessors and their representatives authority to examine the property, books, papers, and accounts of taxpayers. Statutes should also provide appropriate penalties for those who fail to file timely returns, file inaccurate information, or deny the assessor access to property and records. Further, statutes should require property owners to file personal property statements in each jurisdiction in which the owners have personal property.

6.2 Audit Program

The assessor should establish an audit program designed to facilitate the full and proper listing of all taxable personal property in the assessment jurisdiction. In general, emphasis should be placed on the audit of new accounts, major accounts, accounts with significant changes from the previous year, and accounts that are suspected of being inaccurately reported based on objective analysis.

Statistically valid sampling techniques should be employed to ensure that the audit program is equitable. The purpose of an audit is to verify that all taxable personal property items have been reported and that the information given is accurate. A physical inspection may help to verify the completeness of reports.

To ensure fair and equitable treatment, the scope of an

audit program must be clearly defined before the process begins. For example, in establishing audit criteria, it may be useful to identify particular industry segments for examination to maximize resources in a given year or assessment cycle. Audit programs may include one or more of the following activities:

- Review listing changes from one year to the next with taxpayer contact if there are questions.
- Review correctness of data before making changes; contact taxpayers requesting additional information as necessary.
- Request that government revenue agency depreciation schedules be submitted with all listings.
- Obtain copies of government revenue agency depreciation schedules for (specify percentage) of total filings.
- Obtain actual copies of ledger listings from (specify percentage) of total filings.
- For mail audits, request specific documentation from selected accounts or business types.
- Physically inspect and audit records of specifically targeted accounts or business types.
- Physically inspect and audit (specify percentage) of all personal property accounts each year

When conducting a detailed audit with inspection, the appraiser examines a detailed plant fixed-asset ledger or similar record, if available, that provides information on each item such as asset description, serial number, manufacturer, date of purchase, date of installation, location, acquisition cost, depreciation charges, and retirement provisions. The appraiser verifies that assessable items have been completely and accurately reported. Assessable costs may include charges for installation, freight, taxes, and fees (if applicable), unless specifically excluded by law.

Attention should be directed to standby equipment, permanently idled equipment, retired or fully depreciated equipment, and uninstalled equipment. Regardless of book value, such equipment and inventory should be listed and valued unless specifically exempted. Idle, retired, abandoned, or fully depreciated property may not have a value-in-use and may be reported on the company's books as having \$0.00 value, but the property may have a value-in-exchange. The amount of value-in-exchange should be determined based on market research of used machinery and equipment of similar use and condition. The status of personal property as of the assessment date is critical to determining an item's assessability or taxability (ratatability).

The appraiser should compare total reported costs with

those shown in the general ledger or balance sheet in order to verify that all property has been reported. The appraiser should be familiar with the nature of the cost being reported (original, acquisition [new or used], replacement, impaired) and the nature of the cost found on the general ledger (book, net book, market). Recent changes in reporting requirements by the United States Federal Accounting Standards Board attempt to tie depreciation life to market evidence such as leases.

The appraiser should verify that leased items, for which the business is either the lessor or lessee, have been properly reported and assigned to the correct party. If leasehold improvements exist, the appraiser should ensure that they are being assessed on either the real property roll or the personal property roll.

Simultaneous review of real and personal property records can also help to ensure complete assessment of property.

Time and cost considerations sometimes dictate that the appraiser will not be able to verify the proper reporting of each item of personal property at each site or business being audited. Often, verifying a sampling of major items listed in the detailed plant ledger, a walk-through inspection, and an examination of the general ledger, balance sheet, or other appropriate records will suffice. It may also be helpful to check a sample of recent invoices to see if the taxable assets have been accurately reported. The overall objective of the audit and verification process is to promote proper reporting.

State and provincial agencies may establish audit programs as part of their oversight or equalization and assessment responsibilities. Assessment jurisdictions may complete taxpayer audits or may be allowed to employ private auditing firms to complete the reviews. Larger jurisdictions will sometimes offer audit services to smaller jurisdictions for a fee or jurisdictions may combine audit resources in other ways.

6.3 Quality Assurance

Quality assurance methods and techniques used for personal property are similar to those used for real property. Verification of reported data against independent sources is a good way to check the accuracy of the reported costs and inventory of items listed.

Section 10 of the IAAO *Standard on Ratio Studies* (1999) provides comprehensive guidance for assessors planning to conduct a quality assurance program for personal property.

7. Valuation

7.1 Trade Level

All approaches to personal property valuation should consider trade level, which refers to the production and distribution stages of a product. The appraiser should

recognize three distinct basic levels of trade: the manufacturing level, the wholesale level, and the retail level. Incremental costs (such as freight, overhead, handling, installation, and sales taxes paid on installed costs) are added to a product as it advances from one level of trade to the next, thereby increasing its value as a final, in-service product. Thus the value of goods will differ, depending on their level of trade. The appraiser should value personal property at its current level of trade, theoretically to a buyer within that same trade level. Such considerations are particularly important in inventory valuation.

7.2 Valuation Techniques

The cost, sales comparison, and income approaches should be considered in the appraisal of personal property as long as the market within the trade level is in equilibrium. If demand exceeds supply or supply exceeds demand, i.e., unbalanced markets, one or more of the three approaches may produce distorted results. The degree of dependence on any one approach could also change with the availability of reliable data. Units of comparison, such as value of personal property per square foot, for comparable properties can be used to check the value estimates derived from the standard appraisal approaches. Such units of comparison can also be used when the data required for other approaches are unavailable. Examples include cost/value per square foot of FF&E in an office building or cost/value per square foot of inventory for a retail business.

The valuation method and techniques employed should be based on the appraiser/assessor's value standards. In most jurisdictions, market value is defined by value-in-exchange, that is, the value to the next buyer as of the lien date, and highest and best use principles. The highest and best use of an asset will likely be as fully installed and operational to its maximum productivity.

7.2.1 Cost Approach

Costs used in the cost approach can be original construction cost, new or used acquisition cost, replacement, or reproduction costs. Allocated cost can be used if items are purchased in bulk, although often only original or acquisition costs are readily available for personal property assessment purposes. The cost approach provides an estimate of value based on the depreciated cost of the property. In applying the cost approach to personal property, the appraiser must identify make and model number, year acquired, and total acquisition costs, including installation, freight, taxes, and fees. The acquisition costs should then be trended and depreciated as appropriate to reflect current market values. Acquisition costs of equipment obtained pursuant to a lease-purchase agreement should include the total payments, not just the final payment. If financing costs are factored into

the lease payments, an adjustment to the “selling price” may be required.

The assessor should recognize that appraisal and accounting practices for depreciating personal property may differ. Accounting practices provide for recovery of the cost of an asset (the return of the asset), whereas appraisal practices strive to estimate a value related to the current market and should consider both return of the asset and return on the asset. A productive asset may continue to have value at the end of its scheduled life or conversely, an asset may lose its value prior to the end of its scheduled life. Appraisal practice must consider accrued depreciation in the forms of physical deterioration, functional obsolescence, and external (economic) obsolescence. The appraiser/auditor should also be familiar with the purchase accounting methods used by businesses in their jurisdiction. A company’s depreciation schedule should provide life tables for various asset categories.

The restoration or modification of machinery or equipment may be treated differently for assessment and accounting purposes. For accounting purposes, the restoration/modification cost may be entered as a different asset, whereas the appraiser/assessor would add the cost to the original item and adjust the effective age of the asset.

Useful guidelines in the form of depreciation schedules or tables are available from state or provincial assessing authorities, professional valuation companies, and appraisal publishing firms. Because the personalty of a business normally is acquired throughout the year, acceptable depreciation schedules will permit the full year’s depreciation or will consider the average age of six months (half-year convention). Generally, these guides are sufficiently accurate for use in mass appraisal of property. If guides do not exist for specific types of personal property, it is recommended that they be developed. Depreciation schedules can be developed from a study of asset lives and resale prices. The schedules can be asset specific or for general categories such as personal computers or furniture and fixtures. Most schedules base annual depreciation on a percentage of original cost or replacement cost.

However, there can be particular types of property where standard depreciation schedules may not apply and an accurate depreciation estimate can only be made by using an alternate method. One such method is the capitalization of income (rent) loss due to the inefficiency of the property. It is similar to the practice in real estate valuation of calculating the depreciation due to rent loss caused by internal or external forces. An example would be if an existing machine can only run eight hours per day, but a modern replacement can run ten hours per day, the loss in revenue from the two hours of non-production could be capitalized and the amount subtracted from the replacement cost. Whether the obsolescence

was functional or economic would depend on whether the forces reducing the production hours were internal or external. The appraiser/assessor’s experience and judgment should inform their decision of whether to use a standard schedule, develop a new schedule, or apply an alternate method of calculating depreciation.

7.2.2 Sales Comparison Approach

The sales comparison approach may have limited application for appraising machinery and equipment used in business because sales of used items are generally few and are often liquidation sales, which typically are not at market value, or are bulk asset purchases. In such circumstances, list prices including delivery costs and sales taxes, when supported by the marketplace, can be good indicators of value. Used assets acquired in bulk purchases may have been sold in an arm’s-length transaction so market data may be evident. The value of an individual item to the entire sale price (purchase price allocation) may be available in the buyer’s records.

Care must be taken to assure that the property is valued at the proper level of trade. Trade and cash discounts should be subtracted from the list prices, particularly if the equipment sold is still at the wholesale level of trade. If reliable sales data are available, the adjustment process can be applied in the same manner as for real property. If an adjustment for time of sale is made, the adjustment may be negative due to additional accrued depreciation of the property or positive due to inflation.

7.2.3 Income Approach

The income approach produces an estimate of the present worth of income to be received in the future. To apply this approach, the appraiser must estimate the income stream over the remaining economic life of the subject property. This is an important concept; the future income-generating capacity of personal property is typically short-lived compared to real estate. The direct capitalization technique (Income divided by Rate equals Value [$I/R=V$]) can be used if the single-year income applied is indicative of the annual income for the remaining life of the asset and the capitalization rate reflects the recapture period of the asset. Personal property can also be valued using a yield capitalization technique, which values the changing productivity (income) of the asset over its projected remaining life more accurately than $I/R=V$. Many industries use gross income multipliers (GIM) or gross rent multipliers (GRM) to value personal property that has typical and similar operating expenses. When applying the income approach to value personal property, it is important to capitalize income from the rental of an asset not the income of the business that owns the asset.

Typical gross incomes may differ under various leasing

arrangements; lessors may be able to supply average gross revenues for each type and model. The historical pattern of net income streams, together with an analysis of current leasing patterns, will suggest the likely shape of future income streams. The capitalization technique chosen should be consistent with the anticipated income stream.

When reliable lease data on equipment leases are available, the income approach can provide good value estimates. Lessors should be required to document operating expenses to be deducted from the gross income. These expenses include management expenses directly associated with the production of lease revenue, equipment maintenance expenses, and the like.

Developing an appropriate capitalization rate is a critical step in the capitalization process. Capitalization rates contain provisions for return on the investment (discount rate) and capital recovery (return of the investment), as discussed in the cost approach. In addition, property taxes may be accounted for as a component of the capitalization rate. (See *Standard on Mass Appraisal of Real Property* [IAAO 2002].)

Data on the economic lives of various types of personal property can be obtained from a number of sources. Lessors are perhaps the best source, although typical economic lives should be documented with dates of acquisition and disposal of actual items. U.S. federal tax guidelines for modified accelerated cost recovery systems (MACRS) can be helpful as a starting point. Economic life data can also be used to estimate recapture rates. When the income approach is applied, consideration should be given to the salvage or scrap value, if any, when the property has reached the end of its normal life expectancy (remaining economic life equals 0). An analysis of resale values of used equipment can be helpful in determining salvage value.

In cases where property is both sold and leased, gross income multipliers (GIM) should be developed. Gross income multipliers can provide reliable value estimates for personal property items that have similar operating expenses, discount rates, and remaining economic lives.

7.3 Valuation Guidelines for Tangible Personal Property

As discussed in section 7.2, the cost, sales comparison, and income approaches should be considered in the appraisal of tangible personal property. However, certain types of personal property do not readily lend themselves to development of all three generally accepted approaches. If sufficient sales data are available to support use of the sales comparison approach, it should receive primary consideration. In many instances, however, sufficient sales data are not available, and in these instances, more

reliance should be placed on the cost approach or the income approach. The assessor must always consider the quality and quantity of the available market data.

The following are procedures typically used in the valuation of common types of tangible personal property.

7.3.1 Machinery and Equipment

Machinery and equipment (M&E) are items of personal property used in the normal conduct of business that are not permanently attached to the real estate and, unlike inventory, are not intended to be sold. Utility and ability to produce income are factors that influence the economic life of machinery and equipment. The market value of machinery and equipment typically follows a declining path once the assets are acquired and put into operation due to normal wear and tear and technological changes. Salvage or scrap value should be considered at the end of economic life.

The most common approach for the valuation of machinery and equipment is the cost approach, although the sales comparison approach should receive primary consideration when adequate data are available. In particular, small equipment, for which there is often an active resale market, may lend itself to valuation by the sales comparison approach.

Machinery and equipment can be classified as short-lived (computer) or long-lived (drill press), so not all M&E can be grouped together for depreciation purposes.

7.3.2 Furniture and Fixtures

The procedures described for the appraisal of machinery and equipment are generally used in the appraisal of furniture and fixtures (F&F). Because F&F generally have similar lives, they are often grouped into one item for depreciation purposes.

7.3.3 Leased Equipment

Valuation of leased equipment is complicated by such factors as the wide variety of leased equipment, the variety of leasing arrangements, rapidly changing technologies, and changing market conditions. These factors can cause the quality and quantity of available market data to vary.

The income approach is often used in valuing leased equipment because data on sales and rental rates are usually available. When sales data are available, emphasis should be given to income multipliers derived from market data.

The cost approach may be used cautiously in the valuation of leased equipment because markups of cost to list prices vary from one company to another on the same type of equipment and also vary with the level of trade. If manufactured cost is the only information that is reported,

the appraiser should obtain more data from the lessor or compare the equipment in question with similar equipment of known cost.

7.3.4 Inventories

The term inventories includes specific categories of goods held for resale in the course of business, goods in the process of production (termed goods in process), and raw materials.

Whether certain types of goods are classified as inventories or as something else will change depending on the trade level at which the appraisal is being made. Machinery and other equipment that remain classified as inventories at the manufacturing, wholesale, and retail levels become machinery and equipment upon reaching the end user.

Inventory valuation, both for goods in process and for finished goods, should include the value of labor, materials, and overhead expended during production.

There are many methods for estimating the value of inventories. Some of the more common ones are:

- last in, first out (LIFO)
- first in, first out (FIFO)
- weighted average
- lower of cost or market

The most commonly used method for ad valorem purposes is lower of cost or market. First in, first out (FIFO) is also an acceptable measure of inventory replacement costs. Taxpayers often use last in, first out (LIFO) for income tax purposes, but it does not reflect inventory value for property tax purposes. The weighted average method provides for distribution of inventory costs throughout the year.

Caution should be exercised when inventory values are estimated from the owner's accounting records because most accounting systems use an original acquisition cost basis for pricing inventory and this does not necessarily reflect market value as extracted from the marketplace, which may be more or less than original cost.

7.3.5 Supplies

Supplies are stocks of goods that are intended to be consumed during the production process, but are not part of the raw materials inventory that is processed into the finished product. Examples of supplies include chemicals, clothing, pallets, paper, shipping materials, fuels, and repair parts. Unlike inventory, supplies are not held for resale. Supplies should be valued at their acquisition cost.

7.3.6 Consigned Goods

Consigned goods are personal property in the possession of an agent, held for sale by that agent. They should be valued, at the appropriate level of trade, as part of the consignor's inventory.

7.3.7 Imports and Exports

Assessors should be aware of the legal status of import and export merchandise in order to determine its taxable status. If there is no exemption provided by statute, then the techniques for estimating the value of inventories should be used for valuing imports and exports.

7.4 Valuation Guidelines for Intangible Personal Property

The discovery, reporting, verification, and proper valuation of intangible personal property is difficult and can be expensive. The methods for discovering, reporting, verifying, and auditing intangibles are the same as for tangible personal property. Pertinent information includes type of asset, name of issuer, date of acquisition, legal life, expected useful life, face value or par value, market value, and dividends or other income. Individual research can lead to sources that provide information on the selling prices of intangible personal property.

Statutes should provide concise guidance on the assessment of intangible personal property. The benefit/cost ratio of intangible personal property taxation is such that many states have exempted intangible personal property from taxation. For a listing of state and provincial treatment of intangible property, see *Property Tax Policies and Administrative Practices in Canada and the United States* (IAAO 2000).

Those states that continue to assess intangible property primarily do so for public utilities by using a unit valuation method. When centrally assessed property is not held by a public utility, the separation of tangible from intangible value may be required. Recent letter rulings and case law should be researched to provide guidance in this area. Careful review should underscore the purpose, use, and how necessary and integral the identified intangible personal property is to the taxable tangible personal property. This review could entail the examination of the taxpayer's books, records, and filings with regulatory agencies

7.5 Compliance with USPAP

IAAO requires that all appraisal work performed by its members in the United States and Canada be compliant with the *Uniform Standards of Professional Appraisal Practice* (USPAP) of the Appraisal Foundation (2005 [updated annually]) and the *IAAO Code of Ethics and Standards of Professional Conduct* (2005). USPAP Stan-

dards relevant to the valuation of personal property are Standard 6: Mass Appraisal, Development and Reporting; Standard 7: Personal Property Appraisal, Development; and Standard 8: Personal Property Appraisal, Reporting. Standard 6 defines the appropriate form for developing mass appraisal methods and the structure for reporting the results. Standards 7 and 8 provide guidance on the proper process to follow so that the results are based on sound conclusions and are well documented. USPAP contains adequate jurisdictional exceptions to accommodate the various provisions of state, county, and municipal laws.

Selected References

American Society of Appraisers (ASA). 1989. *Appraising machinery and equipment*. New York: McGraw-Hill, 209.

This text is a detailed compilation of information on the appraisal of machinery and equipment. All forms of depreciation are described and their application to personal property illustrated.

Appraisal Foundation, Appraisal Standards Board. 2005 [updated annually]. *Uniform standards of professional appraisal practice*. Washington, DC: The Appraisal Foundation, Appraisal Standards Board.

Two of these mandatory standards refer to personal property—Standard 7: Personal Property Appraisal, Development, and Standard 8: Personal Property Appraisal, Reporting.

California State Board of Equalization, Assessment Standards Division. 2003. *The appraisal of equipment, inventory and supplies. Assessors handbook 571*. Sacramento: California State Board of Equalization, Assessment Standards Division.

This handbook contains an excellent discussion of valuation methods. Although written to conform with California law, much of the discussion is of general interest. The board also publishes General audit guidelines (Assessors handbook 504) and Management of the business property program (Assessors handbook 503). Comprehensive personal property manuals are also issued by other states or assessing jurisdictions and can be accessed via Internet on government Web sites.

Gossett, J.F. 1984. Assessment law notes: Problems in intangibles taxation. *Property Tax Journal* 3(4):277–88.

This article reviews case law dealing with many aspects of intangible personal property assessment and valuation, for example, who should pay, situs, valuation, exemptions, and discrimination.

International Association of Assessing Officers (IAAO). Various dates. Bibliographic service. Kansas City, MO: IAAO.

Bibliographic computer databases are available through the IAAO library on various aspects of personal property assessment. The databases can be searched to provide customized listings. Databases relevant to personal property valuation are as follows:

Assessment manuals in the United States. 196 citations.

Provincial assessment manuals in Canada. 69 citations.

Price guides for personal property. 255 citations.

Leases, lease interests, leased equipment, and possessory interests. 199 citations.

Issues in intangibles valuation. 101 citations.

In addition to the computerized databases, a printed bibliography, *Tangible personal property: Valuation, assessment, and taxation*, Section 1: Assessment methods and practices and tax policies, is available.

International Association of Assessing Officers (IAAO). 1990. *Property appraisal and assessment administration*. Chicago: IAAO.

This comprehensive text on assessment administration discusses personal property briefly.

International Association of Assessing Officers (IAAO). 1996. *Property assessment valuation*. 2nd ed. Chicago: IAAO.

This introductory textbook contains a substantial chapter on personal property assessment.

International Association of Assessing Officers (IAAO). 1999. *Standard on ratio studies*. Chicago: IAAO.

International Association of Assessing Officers (IAAO). 2000. *Property tax policies and administrative practices in Canada and the United States (Taxonomy Study)*. Chicago: IAAO.

International Association of Assessing Officers (IAAO). 2002. *Standard on mass appraisal of real property*. Chicago: IAAO.

International Association of Assessing Officers (IAAO). 2005. *IAAO code of ethics and standards of professional conduct*. http://www.iaao.org/publications/code_of_ethics.asp.

International Association of Assessing Officers (IAAO). Various dates. Course and workshop manuals. Kansas City, MO: IAAO.

Course 500: Assessment of personal property.

Workshop 552: Basic personal property auditing.

Workshop 553: Advanced personal property auditing.

Workshop 550: Basics of fixed asset valuation.

Workshop 551: Valuation of machinery and equipment—Advanced concepts.

O’Keefe, K.M. 1983. The classification issue and the law of fixtures: A chattel by any other name. *Journal of State Taxation* 2(1):37–57.

A survey of case law on the law of fixtures, focusing on the attachment doctrine, the institutional doctrine, the integrated industrial plan doctrine, and the material injury test. Illinois, New Jersey, and California are featured. See also the article following O’Keefe’s—Hyman, M.A. Commercial property assessments: Criteria for classifying personal property as real estate. 59–66.

Skaff, M.S. 1974. Computerized personal property valuation models. *International Property Assessment Administration* 7:194–201.

A paper that examines the use of computers in the administrative function (computation of assessed values, bills, and rolls) and in the analysis of the valuation function (including determination of property life).

U.S. Department of the Treasury. 2004. *Publication 946: How to depreciate property*. Washington, DC: U.S. Department of the Treasury, Internal Revenue Service.

Glossary of Terms

Acquisition cost. The cost used in accounting to represent the purchase price of an asset. If installation and other associated costs are included, this cost should be referred to as total acquisition cost.

Chattel. An item of tangible movable or immovable property except real estate, freehold, and things (such as buildings) connected with real property.

Consigned goods. A type of inventory in the possession of a selling agent but owned by another party. The seller has no equity, no control of price or sale, and receives none of the profit (as such) from sale of the property (but may receive a sales commission).

Construction in progress. Property that is in a process of change from one state to another, such as the conversion of personal property from inventory to fixed asset by installation or the conversion of personalty to realty by becoming a fixture.

Discovery. The process whereby the assessor identifies all taxable property in the jurisdiction and ensures that it is included on the assessment roll.

Economic life. The period of time over which an asset’s operation is economically feasible. The economic life may or may not be equivalent to the physical life of the asset.

External (economic) obsolescence. The loss in appraisal value (relative to the cost of replacing a property with

property of equal utility) resulting from causes outside the property that suffers the loss. Usually locational in nature in the depreciation of real estate, it is more commonly marketwide in personal property and is generally considered to be economically unfeasible to cure.

Effective age. An age assigned to an asset based on a combination of its actual age and condition.

Finished goods. Inventory at the end stage of a manufacturing process. Finished goods are the result of combining raw materials with labor, capital, machine time, and other components of production.

First in, first out (FIFO). An inventory cost-accounting procedure whereby unsold inventory, including inventory carried over from prior years, is valued at the price most recently paid for inventory purchases.

Fixed assets. Personal property that has been brought to the point of highest and best use, that is, it is fully installed and used to produce income in an economically feasible manner. In a business: permanent assets required for the normal conduct of a business.

Fixture. Generally, an asset that has become part of real estate through attachment in such a manner that its removal would result in a loss in value to either the asset or the real estate to which the asset is affixed.

Goods held for sale or resale. Any inventory held for sale by a wholesaler, distributor, or retailer after having passed through one or more other levels of trade.

Goods in process. Inventory, formerly raw materials, that has begun to undergo the manufacturing process that will result in finished goods.

Historical cost. The cost new to the first owner of personal property.

Intangible property. That class of personal property in which value is based on evidence of ownership rather than physical or tangible characteristics, for example, notes, bonds, insurance, patents, and accounts receivable.

Inventory. The group of personal property items whose value is exhibited by value-in-exchange, that is, ownership is solely for the purpose of sale rather than use.

In-transit goods. Personal property that is in movement from one jurisdiction to another. In-transit goods are not assessable because they lack situs.

Last in, first out (LIFO). An inventory cost-accounting procedure whereby unsold inventory, including inventory carried over from the prior year, is valued at the prices paid for the earliest inventory purchases.

Leasehold improvements. Items of personal property, such as furniture and fixtures associated with a lessee (the tenant), that have been affixed to the real property owned by a lessor.

Lower of cost or market. An inventory accounting concept which states that the present value of inventory is based on the lower of either historic cost or current selling price (example: obsolete inventory items).

Original cost. The cost as recorded on the books of the current owner.

Remaining economic life (REL). The number of years in the future during which the operation of an asset is anticipated to be economically feasible, often expressed as a percentage of the total economic life (REL %).

Situs. The taxable location of an asset. For personal property, situs may be the physical location of the property or, in the instance of highly mobile property, the more-or-less permanent location of the property owner.

Supplies. A type of personal property, usually treated as inventory, that is consumed as part of the process of bringing other assets to a saleable condition.

Tangible property. Property whose value is measured in accordance with its actual physical presence.

Trade level. Refers to the production and distribution stages of a product. Appraisers recognize three distinct levels of trade: the manufacturing level, the wholesale level, and the retail level. Personal property should be assessed at the trade level at which it is found. The valuation of the inventory of one owner should be based on the price for which it would be exchanged with a similar

business at the same trade level, for example, from one manufacturer to another. Value-in-exchange increases as a property moves from manufacturing through to retail levels of trade.

Trending factor. A figure representing the increase in selling price over a period of time. Trending accounts for the relative difference in the value of a dollar between two periods.

Unit cost. A valuation guideline expressing the relationship between cost or value of inventory or fixed assets and some unit of measure, for example, cost per square foot or per employee.

Value-in-exchange. The amount an informed purchaser would offer for personal property under given market conditions.

Value-in-use. The value applied to furniture, fixtures, and equipment as installed and in-use for generation of income or performing its function.

Weighted average. A method of inventory cost accounting whereby inventory is valued according to the unit price of all units owned throughout the year. It is calculated by dividing total acquisition cost of all inventory by the number of units owned.

Assessment Standards of the International Association of Assessing Officers

DECEMBER 2005

Standard on Valuation of Personal Property

AUGUST 2004

Guide to Assessment Administration Standards

AUGUST 2004

Standard on Manual Cadastral Maps and Parcel Identifiers

AUGUST 2004

Standard on Property Tax Policy

SEPTEMBER 2003

Standard on Automated Valuation Models

JULY 2003

Standard on Administration of Monitoring and Compliance Responsibilities

JULY 2003

Standard on Digital Cadastral Maps and Parcel Identifiers

JANUARY 2003

Standard on Facilities, Computers, Equipment, and Supplies

FEBRUARY 2002

Standard on Contracting for Assessment Services

FEBRUARY 2002

Standard on Mass Appraisal of Real Property

JULY 2001

Standard on Assessment Appeal

JULY 2001

Standard on Public Relations

JULY 2001

Standard on Valuation of Property Affected by Environmental Contamination

DECEMBER 2000

Standard on Professional Development

JULY 1999

Standard on Ratio Studies



To order any standards listed above or to
check current availability and pricing, go to:

<http://www.iaao.org/publications/standards.html>



INCOME TAX FORMS

For the year Jan. 1–Dec. 31, 2011, or other tax year beginning , 2011, ending , 20 See separate instructions.

Your first name and initial Last name Your social security number

If a joint return, spouse's first name and initial Last name Spouse's social security number

Home address (number and street). If you have a P.O. box, see instructions. Apt. no. Make sure the SSN(s) above and on line 6c are correct.

City, town or post office, state, and ZIP code. If you have a foreign address, also complete spaces below (see instructions). Presidential Election Campaign

Foreign country name Foreign province/county Foreign postal code Check here if you, or your spouse if filing jointly, want \$3 to go to this fund. Checking a box below will not change your tax or refund. You Spouse

Filing Status

- 1 Single 2 Married filing jointly (even if only one had income) 3 Married filing separately. Enter spouse's SSN above and full name here. 4 Head of household (with qualifying person). (See instructions.) If the qualifying person is a child but not your dependent, enter this child's name here. 5 Qualifying widow(er) with dependent child

Exemptions

Table with columns for dependent details: (1) First name, Last name, (2) Dependent's social security number, (3) Dependent's relationship to you, (4) if child under age 17 qualifying for child tax credit. Includes checkboxes for 'Youself', 'Spouse', and 'Total number of exemptions claimed'.

Income

Table for income reporting with rows 7-22. Includes categories like Wages, salaries, tips, interest, dividends, and other income. Includes sub-rows for taxable amounts.

Adjusted Gross Income

Table for adjusted gross income reporting with rows 23-37. Includes categories like educator expenses, business expenses, health savings account deduction, moving expenses, and other deductions.

Tax and Credits

38 Amount from line 37 (adjusted gross income)
39a Check [] You were born before January 2, 1947, [] Blind. Total boxes checked 39a
b If your spouse itemizes on a separate return or you were a dual-status alien, check here 39b
40 Itemized deductions (from Schedule A) or your standard deduction (see left margin)
41 Subtract line 40 from line 38
42 Exemptions. Multiply \$3,700 by the number on line 6d.
43 Taxable income. Subtract line 42 from line 41. If line 42 is more than line 41, enter -0-
44 Tax (see instructions). Check if any from: a [] Form(s) 8814 b [] Form 4972 c [] 962 election
45 Alternative minimum tax (see instructions). Attach Form 6251
46 Add lines 44 and 45
47 Foreign tax credit. Attach Form 1116 if required
48 Credit for child and dependent care expenses. Attach Form 2441
49 Education credits from Form 8863, line 23
50 Retirement savings contributions credit. Attach Form 8880
51 Child tax credit (see instructions)
52 Residential energy credits. Attach Form 5695
53 Other credits from Form: a [] 3800 b [] 8801 c []
54 Add lines 47 through 53. These are your total credits
55 Subtract line 54 from line 46. If line 54 is more than line 46, enter -0-

Other Taxes

56 Self-employment tax. Attach Schedule SE
57 Unreported social security and Medicare tax from Form: a [] 4137 b [] 8919
58 Additional tax on IRAs, other qualified retirement plans, etc. Attach Form 5329 if required
59a Household employment taxes from Schedule H
b First-time homebuyer credit repayment. Attach Form 5405 if required
60 Other taxes. Enter code(s) from instructions
61 Add lines 55 through 60. This is your total tax

Payments

62 Federal income tax withheld from Forms W-2 and 1099
63 2011 estimated tax payments and amount applied from 2010 return
64a Earned income credit (EIC)
b Nontaxable combat pay election 64b
65 Additional child tax credit. Attach Form 8812
66 American opportunity credit from Form 8863, line 14
67 First-time homebuyer credit from Form 5405, line 10
68 Amount paid with request for extension to file
69 Excess social security and tier 1 RRTA tax withheld
70 Credit for federal tax on fuels. Attach Form 4136
71 Credits from Form: a [] 2439 b [] 8839 c [] 8801 d [] 8885
72 Add lines 62, 63, 64a, and 65 through 71. These are your total payments

Refund

73 If line 72 is more than line 61, subtract line 61 from line 72. This is the amount you overpaid
74a Amount of line 73 you want refunded to you. If Form 8888 is attached, check here
b Routing number c Type: [] Checking [] Savings
d Account number
75 Amount of line 73 you want applied to your 2012 estimated tax

Amount You Owe

76 Amount you owe. Subtract line 72 from line 61. For details on how to pay, see instructions
77 Estimated tax penalty (see instructions)

Third Party Designee

Do you want to allow another person to discuss this return with the IRS (see instructions)? [] Yes. Complete below. [] No
Designee's name Phone no. Personal identification number (PIN)

Sign Here

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Joint return? See instructions. Keep a copy for your records.

Your signature Date Your occupation Daytime phone number
Spouse's signature. If a joint return, both must sign. Date Spouse's occupation If the IRS sent you an Identity Protection PIN, enter it here (see inst.)

Paid Preparer Use Only

Print/Type preparer's name Preparer's signature Date Check [] if self-employed PTIN
Firm's name Firm's EIN
Firm's address Phone no.

**SCHEDULE C
(Form 1040)**

Department of the Treasury
Internal Revenue Service (99)

Profit or Loss From Business
(Sole Proprietorship)

► For information on Schedule C and its instructions, go to www.irs.gov/schedulec
► Attach to Form 1040, 1040NR, or 1041; partnerships generally must file Form 1065.

OMB No. 1545-0074

2011
Attachment
Sequence No. **09**

Name of proprietor		Social security number (SSN)
A Principal business or profession, including product or service (see instructions)	B Enter code from instructions ▶	
C Business name. If no separate business name, leave blank.	D Employer ID number (EIN), (see instr.) 	
E Business address (including suite or room no.) ▶ City, town or post office, state, and ZIP code		
F Accounting method: (1) <input type="checkbox"/> Cash (2) <input type="checkbox"/> Accrual (3) <input type="checkbox"/> Other (specify) ▶		
G Did you "materially participate" in the operation of this business during 2011? If "No," see instructions for limit on losses . . . <input type="checkbox"/> Yes <input type="checkbox"/> No		
H If you started or acquired this business during 2011, check here . . . <input type="checkbox"/>		
I Did you make any payments in 2011 that would require you to file Form(s) 1099? (see instructions) . . . <input type="checkbox"/> Yes <input type="checkbox"/> No		
J If "Yes," did you or will you file all required Forms 1099? . . . <input type="checkbox"/> Yes <input type="checkbox"/> No		

Part I Income

1a Merchant card and third party payments. For 2011, enter -0-	1a			
b Gross receipts or sales not entered on line 1a (see instructions)	1b			
c Income reported to you on Form W-2 if the "Statutory Employee" box on that form was checked. Caution. See instr. before completing this line	1c			
d Total gross receipts. Add lines 1a through 1c	1d			
2 Returns and allowances plus any other adjustments (see instructions)	2			
3 Subtract line 2 from line 1d	3			
4 Cost of goods sold (from line 42)	4			
5 Gross profit. Subtract line 4 from line 3	5			
6 Other income, including federal and state gasoline or fuel tax credit or refund (see instructions)	6			
7 Gross income. Add lines 5 and 6	7			

Part II Expenses

Enter expenses for business use of your home only on line 30.

8 Advertising	8			18 Office expense (see instructions)	18		
9 Car and truck expenses (see instructions)	9			19 Pension and profit-sharing plans	19		
10 Commissions and fees	10			20 Rent or lease (see instructions):			
11 Contract labor (see instructions)	11			a Vehicles, machinery, and equipment	20a		
12 Depletion	12			b Other business property	20b		
13 Depreciation and section 179 expense deduction (not included in Part III) (see instructions)	13			21 Repairs and maintenance	21		
14 Employee benefit programs (other than on line 19)	14			22 Supplies (not included in Part III)	22		
15 Insurance (other than health)	15			23 Taxes and licenses	23		
16 Interest:				24 Travel, meals, and entertainment:			
a Mortgage (paid to banks, etc.)	16a			a Travel	24a		
b Other	16b			b Deductible meals and entertainment (see instructions)	24b		
17 Legal and professional services	17			25 Utilities	25		
28 Total expenses before expenses for business use of home. Add lines 8 through 27a	28			26 Wages (less employment credits)	26		
29 Tentative profit or (loss). Subtract line 28 from line 7	29			27a Other expenses (from line 48)	27a		
30 Expenses for business use of your home. Attach Form 8829 . Do not report such expenses elsewhere	30			b Reserved for future use	27b		
31 Net profit or (loss). Subtract line 30 from line 29.	31						
• If a profit, enter on both Form 1040, line 12 (or Form 1040NR, line 13) and on Schedule SE, line 2 . If you entered an amount on line 1c, see instr. Estates and trusts, enter on Form 1041, line 3 .							
• If a loss, you must go to line 32.							
32 If you have a loss, check the box that describes your investment in this activity (see instructions).							
• If you checked 32a, enter the loss on both Form 1040, line 12 , (or Form 1040NR, line 13) and on Schedule SE, line 2 . If you entered an amount on line 1c, see the instructions for line 31. Estates and trusts, enter on Form 1041, line 3 .							
• If you checked 32b, you must attach Form 6198 . Your loss may be limited.							

32a All investment is at risk.
32b Some investment is not at risk.

Part III Cost of Goods Sold (see instructions)

33 Method(s) used to value closing inventory: **a** Cost **b** Lower of cost or market **c** Other (attach explanation)

34 Was there any change in determining quantities, costs, or valuations between opening and closing inventory? Yes No
If "Yes," attach explanation

35 Inventory at beginning of year. If different from last year's closing inventory, attach explanation	35	
36 Purchases less cost of items withdrawn for personal use	36	
37 Cost of labor. Do not include any amounts paid to yourself	37	
38 Materials and supplies	38	
39 Other costs	39	
40 Add lines 35 through 39	40	
41 Inventory at end of year	41	
42 Cost of goods sold. Subtract line 41 from line 40. Enter the result here and on line 4	42	

Part IV Information on Your Vehicle. Complete this part **only** if you are claiming car or truck expenses on line 9 and are not required to file Form 4562 for this business. See the instructions for line 13 to find out if you must file Form 4562.

43 When did you place your vehicle in service for business purposes? (month, day, year) ▶ / /

44 Of the total number of miles you drove your vehicle during 2011, enter the number of miles you used your vehicle for:

a Business _____ **b** Commuting (see instructions) _____ **c** Other _____

45 Was your vehicle available for personal use during off-duty hours? Yes No

46 Do you (or your spouse) have another vehicle available for personal use?. Yes No

47a Do you have evidence to support your deduction? Yes No

b If "Yes," is the evidence written? Yes No

Part V Other Expenses. List below business expenses not included on lines 8–26 or line 30.

48 Total other expenses. Enter here and on line 27a	48	

**SCHEDULE F
(Form 1040)**

Department of the Treasury
Internal Revenue Service (99)

Profit or Loss From Farming

▶ **Attach to Form 1040, Form 1040NR, Form 1041, Form 1065, or Form 1065-B.**
▶ **See Instructions for Schedule F (Form 1040).**

OMB No. 1545-0074

2011
Attachment
Sequence No. **14**

Name of proprietor _____ Social security number (SSN) _____

A Principal crop or activity _____ **B** Enter code from Part IV

--	--	--	--	--	--	--	--	--	--

C Accounting method: Cash Accrual **D** Employer ID number (EIN), (see instr) _____

E Did you "materially participate" in the operation of this business during 2011? If "No," see instructions for limit on passive losses. Yes No

F Did you make any payments in 2011 that would require you to file Form(s) 1099 (see instructions) Yes No

G If "Yes," did you or will you file all required Forms 1099? Yes No

Part I Farm Income—Cash Method. Complete Parts I and II (Accrual method. Complete Parts II and III, and Part I, line 9.)

1a Specified sales of livestock and other resale items (see instructions)	1a			
b Sales of livestock and other resale items not reported on line 1a	1b			
c Total of lines 1a and 1b (see instructions)	1c			
d Cost or other basis of livestock or other items reported on line 1c	1d			
e Subtract line 1d from line 1c	1e			
2a Specified sales of products you raised (see instructions)	2a			
b Sales of products you raised not reported on line 2a	2b			
3a Cooperative distributions (Form(s) 1099-PATR)	3a		3b Taxable amount	3b
4a Agricultural program payments (see instructions)	4a		4b Taxable amount	4b
5a Commodity Credit Corporation (CCC) loans reported under election				5a
b CCC loans forfeited	5b		5c Taxable amount	5c
6 Crop insurance proceeds and federal crop disaster payments (see instructions)				
a Amount received in 2011	6a		6b Taxable amount	6b
c If election to defer to 2012 is attached, check here <input type="checkbox"/> 6d Amount deferred from 2010				6d
7a Specified custom hire (machine work) income (see instructions)				7a
b Custom hire income not reported on line 7a				7b
8a Specified other income (see instructions)				8a
b Other income not reported on line 8a (see instructions)				8b
9 Gross income. Add amounts in the right column (lines 1e, 2a, 2b, 3b, 4b, 5a, 5c, 6b, 6d, 7a, 7b, 8a, and 8b). If you use the accrual method, enter the amount from Part III, line 50 (see instructions)				9

Part II Farm Expenses—Cash and Accrual Method. Do not include personal or living expenses (see instructions).

10 Car and truck expenses (see instructions). Also attach Form 4562	10				
11 Chemicals	11				
12 Conservation expenses (see instructions)	12				
13 Custom hire (machine work)	13				
14 Depreciation and section 179 expense (see instructions)	14				
15 Employee benefit programs other than on line 23	15				
16 Feed	16				
17 Fertilizers and lime	17				
18 Freight and trucking	18				
19 Gasoline, fuel, and oil	19				
20 Insurance (other than health)	20				
21 Interest:					
a Mortgage (paid to banks, etc.)	21a				
b Other	21b				
22 Labor hired (less employment credits)	22				
23 Pension and profit-sharing plans	23				
24 Rent or lease (see instructions):					
a Vehicles, machinery, equipment	24a				
b Other (land, animals, etc.)	24b				
25 Repairs and maintenance	25				
26 Seeds and plants	26				
27 Storage and warehousing	27				
28 Supplies	28				
29 Taxes	29				
30 Utilities	30				
31 Veterinary, breeding, and medicine	31				
32 Other expenses (specify):					
a -----	32a				
b -----	32b				
c -----	32c				
d -----	32d				
e -----	32e				
f -----	32f				

33 **Total expenses.** Add lines 10 through 32f. If line 32f is negative, see instructions ▶ **33**

34 **Net farm profit or (loss).** Subtract line 33 from line 9 **34**

If a profit, stop here and see instructions for where to report. If a loss, complete lines 35 and 36.

35 Did you receive an applicable subsidy in 2011? (see instructions) Yes No

36 Check the box that describes your investment in this activity and see instructions for where to report your loss.

a All investment is at risk. **b** Some investment is not at risk.

Part III Farm Income—Accrual Method (see instructions).

37a	Specified sales of livestock, produce, grains, and other products (see instructions)			37a		
b	Sales of livestock, produce, grains, and other products not reported on line 37a			37b		
38a	Cooperative distributions (Form(s) 1099-PATR)	38a		38b	Taxable amount	38b
39a	Agricultural program payments	39a		39b	Taxable amount	39b
40	Commodity Credit Corporation (CCC) loans:					
a	CCC loans reported under election			40a		
b	CCC loans forfeited	40b		40c	Taxable amount	40c
41	Crop insurance proceeds			41		
42a	Specified custom hire (machine work) income from merchant card or third party payments (see instructions)			42a		
b	Other custom hire income not reported on line 42a			42b		
43a	Specified other income (see instructions)			43a		
b	Other income not reported on line 43a			43b		
44	Add amounts in the right column for lines 37a through 43b (lines 37a, 37b, 38b, 39b, 40a, 40c, 41, 42a, 42b, 43a, and 43b)			44		
45	Inventory of livestock, produce, grains, and other products at beginning of the year. Do not include sales reported on Form 4797	45				
46	Cost of livestock, produce, grains, and other products purchased during the year	46				
47	Add lines 45 and 46	47				
48	Inventory of livestock, produce, grains, and other products at end of year	48				
49	Cost of livestock, produce, grains, and other products sold. Subtract line 48 from line 47*			49		
50	Gross income. Subtract line 49 from line 44. Enter the result here and on Part I, line 9			50		

*If you use the unit-livestock-price method or the farm-price method of valuing inventory and the amount on line 48 is larger than the amount on line 47, subtract line 47 from line 48. Enter the result on line 49. Add lines 44 and 49. Enter the total on line 50 and on Part I, line 9.

Part IV Principal Agricultural Activity Codes



Do not file Schedule F (Form 1040) to report the following.

- Income from providing agricultural services such as soil preparation, veterinary, farm labor, horticultural, or management for a fee or on a contract basis. Instead file Schedule C (Form 1040) or Schedule C-EZ (Form 1040).

- Income from breeding, raising, or caring for dogs, cats, or other pet animals. Instead file Schedule C (Form 1040) or Schedule C-EZ (Form 1040).
- Sales of livestock held for draft, breeding, sport, or dairy purposes. Instead file Form 4797.

These codes for the Principal Agricultural Activity classify farms by their primary activity to facilitate the administration of the Internal Revenue Code. These six-digit codes are based on the North American Industry Classification System (NAICS).

Select the code that best identifies your primary farming activity and enter the six digit number on line B.

Crop Production

- 111100 Oilseed and grain farming
- 111210 Vegetable and melon farming

- 111300 Fruit and tree nut farming
- 111400 Greenhouse, nursery, and floriculture production
- 111900 Other crop farming

Animal Production

- 112111 Beef cattle ranching and farming
- 112112 Cattle feedlots
- 112120 Dairy cattle and milk production
- 112210 Hog and pig farming
- 112300 Poultry and egg production
- 112400 Sheep and goat farming
- 112510 Aquaculture
- 112900 Other animal production

Forestry and Logging

- 113000 Forestry and logging (including forest nurseries and timber tracts)

U.S. Return of Partnership Income

For calendar year 2011, or tax year beginning _____, 2011, ending _____, 20_____

2011

▶ See separate instructions.

A Principal business activity	Print or type.	Name of partnership	D Employer identification number
B Principal product or service		Number, street, and room or suite no. If a P.O. box, see the instructions.	E Date business started
C Business code number		City or town, state, and ZIP code	F Total assets (see the instructions) \$ _____

- G** Check applicable boxes: (1) Initial return (2) Final return (3) Name change (4) Address change (5) Amended return
 (6) Technical termination - also check (1) or (2)
- H** Check accounting method: (1) Cash (2) Accrual (3) Other (specify) ▶ _____
- I** Number of Schedules K-1. Attach one for each person who was a partner at any time during the tax year ▶ _____
- J** Check if Schedules C and M-3 are attached

Caution. Include **only** trade or business income and expenses on lines 1a through 22 below. See the instructions for more information.

Income	1a Merchant card and third-party payments (including amounts reported on Form(s) 1099-K). For 2011, enter -0-	1a			
	b Gross receipts or sales not reported on line 1a (see instructions)	1b			
	c Total. Add lines 1a and 1b	1c			
	d Returns and allowances plus any other adjustments to line 1a (see instructions)	1d			
	e Subtract line 1d from line 1c	1e			
	2 Cost of goods sold (attach Form 1125-A)	2			
	3 Gross profit. Subtract line 2 from line 1e	3			
	4 Ordinary income (loss) from other partnerships, estates, and trusts (attach statement)	4			
5 Net farm profit (loss) (attach Schedule F (Form 1040))	5				
6 Net gain (loss) from Form 4797, Part II, line 17 (attach Form 4797)	6				
7 Other income (loss) (attach statement)	7				
8 Total income (loss). Combine lines 3 through 7	8				
Deductions <small>(see the instructions for limitations)</small>	9 Salaries and wages (other than to partners) (less employment credits)	9			
	10 Guaranteed payments to partners	10			
	11 Repairs and maintenance	11			
	12 Bad debts	12			
	13 Rent	13			
	14 Taxes and licenses	14			
	15 Interest	15			
	16a Depreciation (if required, attach Form 4562)	16a			
	b Less depreciation reported on Form 1125-A and elsewhere on return	16b			16c
	17 Depletion (Do not deduct oil and gas depletion.)	17			
	18 Retirement plans, etc.	18			
	19 Employee benefit programs	19			
	20 Other deductions (attach statement)	20			
	21 Total deductions. Add the amounts shown in the far right column for lines 9 through 20	21			
22 Ordinary business income (loss). Subtract line 21 from line 8	22				

Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than general partner or limited liability company member manager) is based on all information of which preparer has any knowledge.

▶ _____ ▶ _____
 Signature of general partner or limited liability company member manager Date

May the IRS discuss this return with the preparer shown below (see instructions)? Yes No

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN
Firm's name ▶	Firm's EIN ▶		Phone no.	
Firm's address ▶				

Schedule B Other Information

1 What type of entity is filing this return? Check the applicable box:	Yes	No
a <input type="checkbox"/> Domestic general partnership		
b <input type="checkbox"/> Domestic limited partnership		
c <input type="checkbox"/> Domestic limited liability company		
d <input type="checkbox"/> Domestic limited liability partnership		
e <input type="checkbox"/> Foreign partnership		
f <input type="checkbox"/> Other ▶		
2 At any time during the tax year, was any partner in the partnership a disregarded entity, a partnership (including an entity treated as a partnership), a trust, an S corporation, an estate (other than an estate of a deceased partner), or a nominee or similar person?		
3 At the end of the tax year:		
a Did any foreign or domestic corporation, partnership (including any entity treated as a partnership), trust, or tax-exempt organization, or any foreign government own, directly or indirectly, an interest of 50% or more in the profit, loss, or capital of the partnership? For rules of constructive ownership, see instructions. If "Yes," attach Schedule B-1, Information on Partners Owning 50% or More of the Partnership		
b Did any individual or estate own, directly or indirectly, an interest of 50% or more in the profit, loss, or capital of the partnership? For rules of constructive ownership, see instructions. If "Yes," attach Schedule B-1, Information on Partners Owning 50% or More of the Partnership		
4 At the end of the tax year, did the partnership:		
a Own directly 20% or more, or own, directly or indirectly, 50% or more of the total voting power of all classes of stock entitled to vote of any foreign or domestic corporation? For rules of constructive ownership, see instructions. If "Yes," complete (i) through (iv) below		

(i) Name of Corporation	(ii) Employer Identification Number (if any)	(iii) Country of Incorporation	(iv) Percentage Owned in Voting Stock

b Own directly an interest of 20% or more, or own, directly or indirectly, an interest of 50% or more in the profit, loss, or capital in any foreign or domestic partnership (including an entity treated as a partnership) or in the beneficial interest of a trust? For rules of constructive ownership, see instructions. If "Yes," complete (i) through (v) below		
--	--	--

(i) Name of Entity	(ii) Employer Identification Number (if any)	(iii) Type of Entity	(iv) Country of Organization	(v) Maximum Percentage Owned in Profit, Loss, or Capital

	Yes	No
5 Did the partnership file Form 8893, Election of Partnership Level Tax Treatment, or an election statement under section 6231(a)(1)(B)(ii) for partnership-level tax treatment, that is in effect for this tax year? See Form 8893 for more details		
6 Does the partnership satisfy all four of the following conditions? a The partnership's total receipts for the tax year were less than \$250,000. b The partnership's total assets at the end of the tax year were less than \$1 million. c Schedules K-1 are filed with the return and furnished to the partners on or before the due date (including extensions) for the partnership return. d The partnership is not filing and is not required to file Schedule M-3 If "Yes," the partnership is not required to complete Schedules L, M-1, and M-2; Item F on page 1 of Form 1065; or Item L on Schedule K-1.		
7 Is this partnership a publicly traded partnership as defined in section 469(k)(2)?		
8 During the tax year, did the partnership have any debt that was cancelled, was forgiven, or had the terms modified so as to reduce the principal amount of the debt?		
9 Has this partnership filed, or is it required to file, Form 8918, Material Advisor Disclosure Statement, to provide information on any reportable transaction?		
10 At any time during calendar year 2011, did the partnership have an interest in or a signature or other authority over a financial account in a foreign country (such as a bank account, securities account, or other financial account)? See the instructions for exceptions and filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts. If "Yes," enter the name of the foreign country. ►		
11 At any time during the tax year, did the partnership receive a distribution from, or was it the grantor of, or transferor to, a foreign trust? If "Yes," the partnership may have to file Form 3520, Annual Return To Report Transactions With Foreign Trusts and Receipt of Certain Foreign Gifts. See instructions		
12a Is the partnership making, or had it previously made (and not revoked), a section 754 election? See instructions for details regarding a section 754 election. b Did the partnership make for this tax year an optional basis adjustment under section 743(b) or 734(b)? If "Yes," attach a statement showing the computation and allocation of the basis adjustment. See instructions c Is the partnership required to adjust the basis of partnership assets under section 743(b) or 734(b) because of a substantial built-in loss (as defined under section 743(d)) or substantial basis reduction (as defined under section 734(d))? If "Yes," attach a statement showing the computation and allocation of the basis adjustment. See instructions.		
13 Check this box if, during the current or prior tax year, the partnership distributed any property received in a like-kind exchange or contributed such property to another entity (other than disregarded entities wholly-owned by the partnership throughout the tax year) <input type="checkbox"/>		
14 At any time during the tax year, did the partnership distribute to any partner a tenancy-in-common or other undivided interest in partnership property?		
15 If the partnership is required to file Form 8858, Information Return of U.S. Persons With Respect To Foreign Disregarded Entities, enter the number of Forms 8858 attached. See instructions ►		
16 Does the partnership have any foreign partners? If "Yes," enter the number of Forms 8805, Foreign Partner's Information Statement of Section 1446 Withholding Tax, filed for this partnership. ►		
17 Enter the number of Forms 8865, Return of U.S. Persons With Respect to Certain Foreign Partnerships, attached to this return. ►		
18a Did you make any payments in 2011 that would require you to file Form(s) 1099? See instructions b If "Yes," did you or will you file all required Form(s) 1099?		
19 Enter the number of Form(s) 5471, Information Return of U.S. Persons With Respect To Certain Foreign Corporations, attached to this return. ►		

Designation of Tax Matters Partner (see instructions)

Enter below the general partner designated as the tax matters partner (TMP) for the tax year of this return:

Name of designated TMP ►	Identifying number of TMP ►
If the TMP is an entity, name of TMP representative ►	Phone number of TMP ►
Address of designated TMP ►	

Schedule K Partners' Distributive Share Items		Total amount	
Income (Loss)	1 Ordinary business income (loss) (page 1, line 22)	1	
	2 Net rental real estate income (loss) (attach Form 8825)	2	
	3a Other gross rental income (loss) 3a		
	b Expenses from other rental activities (attach statement) 3b		
	c Other net rental income (loss). Subtract line 3b from line 3a	3c	
	4 Guaranteed payments	4	
	5 Interest income	5	
	6 Dividends: a Ordinary dividends	6a	
	b Qualified dividends 6b		
	7 Royalties	7	
	8 Net short-term capital gain (loss) (attach Schedule D (Form 1065))	8	
9a Net long-term capital gain (loss) (attach Schedule D (Form 1065))	9a		
b Collectibles (28%) gain (loss) 9b			
c Unrecaptured section 1250 gain (attach statement) 9c			
10 Net section 1231 gain (loss) (attach Form 4797)	10		
11 Other income (loss) (see instructions) Type ▶	11		
Deductions	12 Section 179 deduction (attach Form 4562)	12	
	13a Contributions	13a	
	b Investment interest expense	13b	
	c Section 59(e)(2) expenditures: (1) Type ▶ (2) Amount ▶	13c(2)	
d Other deductions (see instructions) Type ▶	13d		
Self-Employment	14a Net earnings (loss) from self-employment	14a	
	b Gross farming or fishing income	14b	
	c Gross nonfarm income	14c	
Credits	15a Low-income housing credit (section 42(j)(5))	15a	
	b Low-income housing credit (other)	15b	
	c Qualified rehabilitation expenditures (rental real estate) (attach Form 3468)	15c	
	d Other rental real estate credits (see instructions) Type ▶	15d	
	e Other rental credits (see instructions) Type ▶	15e	
	f Other credits (see instructions) Type ▶	15f	
Foreign Transactions	16a Name of country or U.S. possession ▶		
	b Gross income from all sources	16b	
	c Gross income sourced at partner level	16c	
	Foreign gross income sourced at partnership level		
	d Passive category ▶ e General category ▶ f Other ▶	16f	
	Deductions allocated and apportioned at partner level		
	g Interest expense ▶ h Other ▶	16h	
	Deductions allocated and apportioned at partnership level to foreign source income		
	i Passive category ▶ j General category ▶ k Other ▶	16k	
l Total foreign taxes (check one): ▶ Paid <input type="checkbox"/> Accrued <input type="checkbox"/>	16l		
m Reduction in taxes available for credit (attach statement)	16m		
n Other foreign tax information (attach statement)			
Alternative Minimum Tax (AMT) Items	17a Post-1986 depreciation adjustment	17a	
	b Adjusted gain or loss	17b	
	c Depletion (other than oil and gas)	17c	
	d Oil, gas, and geothermal properties—gross income	17d	
	e Oil, gas, and geothermal properties—deductions	17e	
	f Other AMT items (attach statement)	17f	
Other Information	18a Tax-exempt interest income	18a	
	b Other tax-exempt income	18b	
	c Nondeductible expenses	18c	
	19a Distributions of cash and marketable securities	19a	
	b Distributions of other property	19b	
	20a Investment income	20a	
	b Investment expenses	20b	
c Other items and amounts (attach statement)			

Analysis of Net Income (Loss)

1	Net income (loss). Combine Schedule K, lines 1 through 11. From the result, subtract the sum of Schedule K, lines 12 through 13d, and 16l					1	
2	Analysis by partner type:						
	(i) Corporate	(ii) Individual (active)	(iii) Individual (passive)	(iv) Partnership	(v) Exempt organization	(vi) Nominee/Other	
a	General partners						
b	Limited partners						

Schedule L Balance Sheets per Books		Beginning of tax year		End of tax year	
		(a)	(b)	(c)	(d)
Assets					
1	Cash				
2a	Trade notes and accounts receivable				
b	Less allowance for bad debts				
3	Inventories				
4	U.S. government obligations				
5	Tax-exempt securities				
6	Other current assets (attach statement)				
7a	Loans to partners (or persons related to partners)				
b	Mortgage and real estate loans				
8	Other investments (attach statement)				
9a	Buildings and other depreciable assets				
b	Less accumulated depreciation				
10a	Depletable assets				
b	Less accumulated depletion				
11	Land (net of any amortization)				
12a	Intangible assets (amortizable only)				
b	Less accumulated amortization				
13	Other assets (attach statement)				
14	Total assets				
Liabilities and Capital					
15	Accounts payable				
16	Mortgages, notes, bonds payable in less than 1 year				
17	Other current liabilities (attach statement)				
18	All nonrecourse loans				
19a	Loans from partners (or persons related to partners)				
b	Mortgages, notes, bonds payable in 1 year or more				
20	Other liabilities (attach statement)				
21	Partners' capital accounts				
22	Total liabilities and capital				

Schedule M-1 Reconciliation of Income (Loss) per Books With Income (Loss) per Return
Note. Schedule M-3 may be required instead of Schedule M-1 (see instructions).

1	Net income (loss) per books		6	Income recorded on books this year not included on Schedule K, lines 1 through 11 (itemize):	
2	Income included on Schedule K, lines 1, 2, 3c, 5, 6a, 7, 8, 9a, 10, and 11, not recorded on books this year (itemize):		a	Tax-exempt interest \$	
3	Guaranteed payments (other than health insurance)		7	Deductions included on Schedule K, lines 1 through 13d, and 16l, not charged against book income this year (itemize):	
4	Expenses recorded on books this year not included on Schedule K, lines 1 through 13d, and 16l (itemize):		a	Depreciation \$	
a	Depreciation \$		8	Add lines 6 and 7	
b	Travel and entertainment \$		9	Income (loss) (Analysis of Net Income (Loss), line 1). Subtract line 8 from line 5	
5	Add lines 1 through 4				

Schedule M-2 Analysis of Partners' Capital Accounts

1	Balance at beginning of year		6	Distributions: a Cash	
2	Capital contributed: a Cash		b Property		
	b Property		7	Other decreases (itemize):	
3	Net income (loss) per books		8	Add lines 6 and 7	
4	Other increases (itemize):		9	Balance at end of year. Subtract line 8 from line 5	
5	Add lines 1 through 4				

A Check if: 1a Consolidated return (attach Form 851) <input type="checkbox"/> b Life/nonlife consolidated return <input type="checkbox"/> 2 Personal holding co. (attach Sch. PH) <input type="checkbox"/> 3 Personal service corp. (see instructions) <input type="checkbox"/> 4 Schedule M-3 attached <input type="checkbox"/>	TYPE OR PRINT	Name _____ Number, street, and room or suite no. If a P.O. box, see instructions. _____ City or town, state, and ZIP code _____	B Employer identification number _____ C Date incorporated _____ D Total assets (see instructions) \$ _____
E Check if: (1) <input type="checkbox"/> Initial return (2) <input type="checkbox"/> Final return (3) <input type="checkbox"/> Name change (4) <input type="checkbox"/> Address change			

Income	1a	Merchant card and third-party payments. For 2011, enter -0-			
	1b	Gross receipts or sales not reported on line 1a (see instructions)			
	1c	Total. Add lines 1a and 1b			
	1d	Returns and allowances plus any other adjustments (see instructions)			
	1e	Subtract line 1d from line 1c			
	2	Cost of goods sold from Form 1125-A, line 8 (attach Form 1125-A)			
	3	Gross profit. Subtract line 2 from line 1e			
	4	Dividends (Schedule C, line 19)			
	5	Interest			
	6	Gross rents			
	7	Gross royalties			
8	Capital gain net income (attach Schedule D (Form 1120))				
9	Net gain or (loss) from Form 4797, Part II, line 17 (attach Form 4797)				
10	Other income (see instructions—attach schedule)				
11	Total income. Add lines 3 through 10				

Deductions (See instructions for limitations on deductions.)	12	Compensation of officers from Form 1125-E, line 4 (attach Form 1125-E)			
	13	Salaries and wages (less employment credits)			
	14	Repairs and maintenance			
	15	Bad debts			
	16	Rents			
	17	Taxes and licenses			
	18	Interest			
	19	Charitable contributions			
	20	Depreciation from Form 4562 not claimed on Form 1125-A or elsewhere on return (attach Form 4562)			
	21	Depletion			
	22	Advertising			
	23	Pension, profit-sharing, etc., plans			
	24	Employee benefit programs			
	25	Domestic production activities deduction (attach Form 8903)			
	26	Other deductions (attach schedule)			
	27	Total deductions. Add lines 12 through 26			
	28	Taxable income before net operating loss deduction and special deductions. Subtract line 27 from line 11.			
	29a	Net operating loss deduction (see instructions)			
	29b	Special deductions (Schedule C, line 20)			
	29c	Add lines 29a and 29b			

Tax, Refundable Credits, and Payments	30	Taxable income. Subtract line 29c from line 28 (see instructions)			
	31	Total tax (Schedule J, Part I, line 11)			
	32	Total payments and refundable credits (Schedule J, Part II, line 21)			
	33	Estimated tax penalty (see instructions). Check if Form 2220 is attached <input type="checkbox"/>			
	34	Amount owed. If line 32 is smaller than the total of lines 31 and 33, enter amount owed			
	35	Overpayment. If line 32 is larger than the total of lines 31 and 33, enter amount overpaid			
36	Enter amount from line 35 you want: Credited to 2012 estimated tax ▶ Refunded ▶				

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Sign Here	Signature of officer _____	Date _____	Title _____	May the IRS discuss this return with the preparer shown below (see instructions)? <input type="checkbox"/> Yes <input type="checkbox"/> No
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Paid Preparer Use Only	Print/Type preparer's name _____	Preparer's signature _____	Date _____	Check <input type="checkbox"/> if self-employed	PTIN _____
	Firm's name ▶ _____	Firm's EIN ▶ _____			
	Firm's address ▶ _____	Phone no. _____			

Schedule C Dividends and Special Deductions (see instructions)		(a) Dividends received	(b) %	(c) Special deductions (a) × (b)
1	Dividends from less-than-20%-owned domestic corporations (other than debt-financed stock)			
2	Dividends from 20%-or-more-owned domestic corporations (other than debt-financed stock)			
3	Dividends on debt-financed stock of domestic and foreign corporations			
4	Dividends on certain preferred stock of less-than-20%-owned public utilities			
5	Dividends on certain preferred stock of 20%-or-more-owned public utilities			
6	Dividends from less-than-20%-owned foreign corporations and certain FSCs			
7	Dividends from 20%-or-more-owned foreign corporations and certain FSCs			
8	Dividends from wholly owned foreign subsidiaries			
9	Total. Add lines 1 through 8. See instructions for limitation			
10	Dividends from domestic corporations received by a small business investment company operating under the Small Business Investment Act of 1958			
11	Dividends from affiliated group members			
12	Dividends from certain FSCs			
13	Dividends from foreign corporations not included on lines 3, 6, 7, 8, 11, or 12			
14	Income from controlled foreign corporations under subpart F (attach Form(s) 5471)			
15	Foreign dividend gross-up			
16	IC-DISC and former DISC dividends not included on lines 1, 2, or 3			
17	Other dividends			
18	Deduction for dividends paid on certain preferred stock of public utilities			
19	Total dividends. Add lines 1 through 17. Enter here and on page 1, line 4			
20	Total special deductions. Add lines 9, 10, 11, 12, and 18. Enter here and on page 1, line 29b			

Schedule J Tax Computation and Payment (see instructions)

Part I—Tax Computation

1	Check if the corporation is a member of a controlled group (attach Schedule O (Form 1120))	<input type="checkbox"/>		
2	Income tax. Check if a qualified personal service corporation (see instructions)	<input type="checkbox"/>	2	
3	Alternative minimum tax (attach Form 4626)		3	
4	Add lines 2 and 3		4	
5a	Foreign tax credit (attach Form 1118)		5a	
b	Credit from Form 8834, line 30 (attach Form 8834)		5b	
c	General business credit (attach Form 3800)		5c	
d	Credit for prior year minimum tax (attach Form 8827)		5d	
e	Bond credits from Form 8912		5e	
6	Total credits. Add lines 5a through 5e		6	
7	Subtract line 6 from line 4		7	
8	Personal holding company tax (attach Schedule PH (Form 1120))		8	
9a	Recapture of investment credit (attach Form 4255)		9a	
b	Recapture of low-income housing credit (attach Form 8611)		9b	
c	Interest due under the look-back method—completed long-term contracts (attach Form 8697)		9c	
d	Interest due under the look-back method—income forecast method (attach Form 8866)		9d	
e	Alternative tax on qualifying shipping activities (attach Form 8902)		9e	
f	Other (see instructions—attach schedule)		9f	
10	Total. Add lines 9a through 9f		10	
11	Total tax. Add lines 7, 8, and 10. Enter here and on page 1, line 31		11	

Part II—Payments and Refundable Credits

12	2010 overpayment credited to 2011		12	
13	2011 estimated tax payments		13	
14	2011 refund applied for on Form 4466		14	()
15	Combine lines 12, 13, and 14		15	
16	Tax deposited with Form 7004		16	
17	Withholding (see instructions)		17	
18	Total payments. Add lines 15, 16, and 17		18	
19	Refundable credits from:			
a	Form 2439		19a	
b	Form 4136		19b	
c	Form 3800, line 17c and Form 8827, line 8c		19c	
d	Other (attach schedule—see instructions)		19d	
20	Total credits. Add lines 19a through 19d		20	
21	Total payments and credits. Add lines 18 and 20. Enter here and on page 1, line 32		21	

Schedule K Other Information (see instructions)

1	Check accounting method: a <input type="checkbox"/> Cash b <input type="checkbox"/> Accrual c <input type="checkbox"/> Other (specify) ▶ _____	Yes	No
2	See the instructions and enter the:		
a	Business activity code no. ▶ _____		
b	Business activity ▶ _____		
c	Product or service ▶ _____		
3	Is the corporation a subsidiary in an affiliated group or a parent-subsidary controlled group? If "Yes," enter name and EIN of the parent corporation ▶ _____		
4	At the end of the tax year:		
a	Did any foreign or domestic corporation, partnership (including any entity treated as a partnership), trust, or tax-exempt organization own directly 20% or more, or own, directly or indirectly, 50% or more of the total voting power of all classes of the corporation's stock entitled to vote? If "Yes," complete Part I of Schedule G (Form 1120) (attach Schedule G)		
b	Did any individual or estate own directly 20% or more, or own, directly or indirectly, 50% or more of the total voting power of all classes of the corporation's stock entitled to vote? If "Yes," complete Part II of Schedule G (Form 1120) (attach Schedule G)		

Schedule K **Other Information** *continued* (see instructions)

		Yes	No
5	At the end of the tax year, did the corporation:		
a	Own directly 20% or more, or own, directly or indirectly, 50% or more of the total voting power of all classes of stock entitled to vote of any foreign or domestic corporation not included on Form 851 , Affiliations Schedule? For rules of constructive ownership, see instructions. If "Yes," complete (i) through (iv) below.		

(i) Name of Corporation	(ii) Employer Identification Number (if any)	(iii) Country of Incorporation	(iv) Percentage Owned in Voting Stock

b	Own directly an interest of 20% or more, or own, directly or indirectly, an interest of 50% or more in any foreign or domestic partnership (including an entity treated as a partnership) or in the beneficial interest of a trust? For rules of constructive ownership, see instructions. If "Yes," complete (i) through (iv) below.		
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(i) Name of Entity	(ii) Employer Identification Number (if any)	(iii) Country of Organization	(iv) Maximum Percentage Owned in Profit, Loss, or Capital

6	During this tax year, did the corporation pay dividends (other than stock dividends and distributions in exchange for stock) in excess of the corporation's current and accumulated earnings and profits? (See sections 301 and 316.) If "Yes," file Form 5452 , Corporate Report of Nondividend Distributions. If this is a consolidated return, answer here for the parent corporation and on Form 851 for each subsidiary.		
7	At any time during the tax year, did one foreign person own, directly or indirectly, at least 25% of (a) the total voting power of all classes of the corporation's stock entitled to vote or (b) the total value of all classes of the corporation's stock? For rules of attribution, see section 318. If "Yes," enter: (i) Percentage owned ▶ _____ and (ii) Owner's country ▶ _____ (c) The corporation may have to file Form 5472 , Information Return of a 25% Foreign-Owned U.S. Corporation or a Foreign Corporation Engaged in a U.S. Trade or Business. Enter the number of Forms 5472 attached ▶ _____		
8	Check this box if the corporation issued publicly offered debt instruments with original issue discount ▶ <input type="checkbox"/> If checked, the corporation may have to file Form 8281 , Information Return for Publicly Offered Original Issue Discount Instruments.		
9	Enter the amount of tax-exempt interest received or accrued during the tax year ▶ \$ _____		
10	Enter the number of shareholders at the end of the tax year (if 100 or fewer) ▶ _____		
11	If the corporation has an NOL for the tax year and is electing to forego the carryback period, check here ▶ <input type="checkbox"/> If the corporation is filing a consolidated return, the statement required by Regulations section 1.1502-21(b)(3) must be attached or the election will not be valid.		
12	Enter the available NOL carryover from prior tax years (do not reduce it by any deduction on line 29a.) ▶ \$ _____		
13	Are the corporation's total receipts (line 1c plus lines 4 through 10 on page 1) for the tax year and its total assets at the end of the tax year less than \$250,000? If "Yes," the corporation is not required to complete Schedules L, M-1, and M-2 on page 5. Instead, enter the total amount of cash distributions and the book value of property distributions (other than cash) made during the tax year. ▶ \$ _____		
14	Is the corporation required to file Schedule UTP (Form 1120), Uncertain Tax Position Statement (see instructions)? If "Yes," complete and attach Schedule UTP.		
15a	Did the corporation make any payments in 2011 that would require it to file Form(s) 1099 (see instructions)?		
b	If "Yes," did or will the corporation file all required Forms 1099?		

Schedule L Balance Sheets per Books		Beginning of tax year		End of tax year	
		(a)	(b)	(c)	(d)
Assets					
1	Cash				
2a	Trade notes and accounts receivable				
b	Less allowance for bad debts	()		()	
3	Inventories				
4	U.S. government obligations				
5	Tax-exempt securities (see instructions)				
6	Other current assets (attach schedule)				
7	Loans to shareholders				
8	Mortgage and real estate loans				
9	Other investments (attach schedule)				
10a	Buildings and other depreciable assets				
b	Less accumulated depreciation	()		()	
11a	Depletable assets				
b	Less accumulated depletion	()		()	
12	Land (net of any amortization)				
13a	Intangible assets (amortizable only)				
b	Less accumulated amortization	()		()	
14	Other assets (attach schedule)				
15	Total assets				
Liabilities and Shareholders' Equity					
16	Accounts payable				
17	Mortgages, notes, bonds payable in less than 1 year				
18	Other current liabilities (attach schedule)				
19	Loans from shareholders				
20	Mortgages, notes, bonds payable in 1 year or more				
21	Other liabilities (attach schedule)				
22	Capital stock: a Preferred stock				
	b Common stock				
23	Additional paid-in capital				
24	Retained earnings—Appropriated (attach schedule)				
25	Retained earnings—Unappropriated				
26	Adjustments to shareholders' equity (attach schedule)				
27	Less cost of treasury stock	()		()	
28	Total liabilities and shareholders' equity				

Schedule M-1 Reconciliation of Income (Loss) per Books With Income per Return			
Note: Schedule M-3 required instead of Schedule M-1 if total assets are \$10 million or more—see instructions			
1	Net income (loss) per books		7 Income recorded on books this year not included on this return (itemize):
2	Federal income tax per books		Tax-exempt interest \$ _____
3	Excess of capital losses over capital gains		_____
4	Income subject to tax not recorded on books this year (itemize): _____		8 Deductions on this return not charged against book income this year (itemize):
5	Expenses recorded on books this year not deducted on this return (itemize):		a Depreciation . . . \$ _____
a	Depreciation \$ _____		b Charitable contributions \$ _____
b	Charitable contributions . . . \$ _____		_____
c	Travel and entertainment . . . \$ _____		9 Add lines 7 and 8
6	Add lines 1 through 5		10 Income (page 1, line 28)—line 6 less line 9

Schedule M-2 Analysis of Unappropriated Retained Earnings per Books (Line 25, Schedule L)			
1	Balance at beginning of year		5 Distributions: a Cash
2	Net income (loss) per books		b Stock
3	Other increases (itemize): _____		c Property
	_____		6 Other decreases (itemize):
	_____		7 Add lines 5 and 6
4	Add lines 1, 2, and 3		8 Balance at end of year (line 4 less line 7)

U.S. Income Tax Return for an S Corporation

Department of the Treasury
Internal Revenue Service

▶ **Do not file this form unless the corporation has filed or is attaching Form 2553 to elect to be an S corporation.**
▶ See separate instructions.

2011

For calendar year 2011 or tax year beginning _____, 2011, ending _____, 20

A S election effective date	TYPE OR PRINT	Name	D Employer identification number
B Business activity code number (see instructions)		Number, street, and room or suite no. If a P.O. box, see instructions.	E Date incorporated
C Check if Sch. M-3 attached <input type="checkbox"/>		City or town, state, and ZIP code	F Total assets (see instructions) \$

G Is the corporation electing to be an S corporation beginning with this tax year? Yes No If "Yes," attach Form 2553 if not already filed

H Check if: (1) Final return (2) Name change (3) Address change (4) Amended return (5) S election termination or revocation

I Enter the number of shareholders who were shareholders during any part of the tax year _____ ▶

Caution. Include **only** trade or business income and expenses on lines 1a through 21. See the instructions for more information.

Income	1a Merchant card and third-party payments. For 2011, enter -0-	1a			
	b Gross receipts or sales not reported on line 1a (see instructions)	1b			
	c Total. Add lines 1a and 1b	1c			
	d Returns and allowances plus any other adjustments (see instructions)	1d			
	e Subtract line 1d from line 1c	1e			
	2 Cost of goods sold (attach Form 1125-A)	2			
3 Gross profit. Subtract line 2 from line 1e	3				
4 Net gain (loss) from Form 4797, Part II, line 17 (attach Form 4797)	4				
5 Other income (loss) (see instructions—attach statement)	5				
6 Total income (loss). Add lines 3 through 5 ▶	6				
Deductions (see instructions for limitations)	7 Compensation of officers	7			
	8 Salaries and wages (less employment credits)	8			
	9 Repairs and maintenance	9			
	10 Bad debts	10			
	11 Rents	11			
	12 Taxes and licenses	12			
	13 Interest	13			
	14 Depreciation not claimed on Form 1125-A or elsewhere on return (attach Form 4562)	14			
	15 Depletion (Do not deduct oil and gas depletion.)	15			
	16 Advertising	16			
	17 Pension, profit-sharing, etc., plans	17			
	18 Employee benefit programs	18			
	19 Other deductions (attach statement)	19			
	20 Total deductions. Add lines 7 through 19 ▶	20			
	21 Ordinary business income (loss). Subtract line 20 from line 6	21			
Tax and Payments	22a Excess net passive income or LIFO recapture tax (see instructions)	22a			
	b Tax from Schedule D (Form 1120S)	22b			
	c Add lines 22a and 22b (see instructions for additional taxes)	22c			
	23a 2011 estimated tax payments and 2010 overpayment credited to 2011	23a			
	b Tax deposited with Form 7004	23b			
	c Credit for federal tax paid on fuels (attach Form 4136)	23c			
	d Add lines 23a through 23c	23d			
	24 Estimated tax penalty (see instructions). Check if Form 2220 is attached ▶ <input type="checkbox"/>	24			
	25 Amount owed. If line 23d is smaller than the total of lines 22c and 24, enter amount owed	25			
	26 Overpayment. If line 23d is larger than the total of lines 22c and 24, enter amount overpaid	26			
27 Enter amount from line 26 Credited to 2012 estimated tax ▶ Refunded ▶	27				

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Sign Here

Signature of officer	Date	Title
----------------------	------	-------

May the IRS discuss this return with the preparer shown below (see instructions)? Yes No

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN
Firm's name ▶				Firm's EIN ▶
Firm's address ▶				Phone no.

Schedule B Other Information (see instructions)		Yes	No
1	Check accounting method: a <input type="checkbox"/> Cash b <input type="checkbox"/> Accrual c <input type="checkbox"/> Other (specify) ▶ _____		
2	See the instructions and enter the: a Business activity ▶ _____ b Product or service ▶ _____		
3	At the end of the tax year, did the corporation own, directly or indirectly, 50% or more of the voting stock of a domestic corporation? (For rules of attribution, see section 267(c).) If "Yes," attach a statement showing: (a) name and employer identification number (EIN), (b) percentage owned, and (c) if 100% owned, was a qualified subchapter S subsidiary election made?		
4	Has this corporation filed, or is it required to file, Form 8918 , Material Advisor Disclosure Statement, to provide information on any reportable transaction?		
5	Check this box if the corporation issued publicly offered debt instruments with original issue discount <input type="checkbox"/> If checked, the corporation may have to file Form 8281 , Information Return for Publicly Offered Original Issue Discount Instruments.		
6	If the corporation: (a) was a C corporation before it elected to be an S corporation or the corporation acquired an asset with a basis determined by reference to the basis of the asset (or the basis of any other property) in the hands of a C corporation and (b) has net unrealized built-in gain in excess of the net recognized built-in gain from prior years, enter the net unrealized built-in gain reduced by net recognized built-in gain from prior years (see instructions) ▶ \$ _____		
7	Enter the accumulated earnings and profits of the corporation at the end of the tax year. \$ _____		
8	Are the corporation's total receipts (see instructions) for the tax year and its total assets at the end of the tax year less than \$250,000? If "Yes," the corporation is not required to complete Schedules L and M-1		
9	During the tax year, was a qualified subchapter S subsidiary election terminated or revoked? If "Yes," see instructions		
10a	Did the corporation make any payments in 2011 that would require it to file Form(s) 1099 (see instructions)?		
b	If "Yes," did the corporation file or will it file all required Forms 1099?		

Schedule K Shareholders' Pro Rata Share Items		Total amount	
Income (Loss)	1 Ordinary business income (loss) (page 1, line 21)	1	
	2 Net rental real estate income (loss) (attach Form 8825)	2	
	3a Other gross rental income (loss) 3a		
	b Expenses from other rental activities (attach statement) 3b		
	c Other net rental income (loss). Subtract line 3b from line 3a 3c		
	4 Interest income 4		
	5 Dividends: a Ordinary dividends 5a b Qualified dividends 5b		
	6 Royalties 6		
	7 Net short-term capital gain (loss) (attach Schedule D (Form 1120S)) 7		
	8a Net long-term capital gain (loss) (attach Schedule D (Form 1120S)) 8a b Collectibles (28%) gain (loss) 8b c Unrecaptured section 1250 gain (attach statement) 8c		
9 Net section 1231 gain (loss) (attach Form 4797) 9			
10 Other income (loss) (see instructions) . . . Type ▶ 10			

		Shareholders' Pro Rata Share Items (continued)	Total amount	
Deductions	11	Section 179 deduction (<i>attach Form 4562</i>)	11	
	12a	Contributions	12a	
	b	Investment interest expense	12b	
	c	Section 59(e)(2) expenditures (1) Type ▶ _____ (2) Amount ▶ _____	12c(2)	
	d	Other deductions (<i>see instructions</i>) Type ▶ _____	12d	
Credits	13a	Low-income housing credit (section 42(j)(5))	13a	
	b	Low-income housing credit (other)	13b	
	c	Qualified rehabilitation expenditures (rental real estate) (<i>attach Form 3468</i>)	13c	
	d	Other rental real estate credits (<i>see instructions</i>) Type ▶ _____	13d	
	e	Other rental credits (<i>see instructions</i>) Type ▶ _____	13e	
	f	Alcohol and cellulosic biofuel fuels credit (<i>attach Form 6478</i>)	13f	
	g	Other credits (<i>see instructions</i>) Type ▶ _____	13g	
Foreign Transactions	14a	Name of country or U.S. possession ▶ _____		
	b	Gross income from all sources	14b	
	c	Gross income sourced at shareholder level	14c	
		<i>Foreign gross income sourced at corporate level</i>		
	d	Passive category	14d	
	e	General category	14e	
	f	Other (<i>attach statement</i>)	14f	
		<i>Deductions allocated and apportioned at shareholder level</i>		
	g	Interest expense	14g	
	h	Other	14h	
		<i>Deductions allocated and apportioned at corporate level to foreign source income</i>		
	i	Passive category	14i	
	j	General category	14j	
	k	Other (<i>attach statement</i>)	14k	
	<i>Other information</i>			
	l Total foreign taxes (check one): ▶ <input type="checkbox"/> Paid <input type="checkbox"/> Accrued	14l		
	m Reduction in taxes available for credit (<i>attach statement</i>)	14m		
	n Other foreign tax information (<i>attach statement</i>)			
Alternative Minimum Tax (AMT) Items	15a	Post-1986 depreciation adjustment	15a	
	b	Adjusted gain or loss	15b	
	c	Depletion (other than oil and gas)	15c	
	d	Oil, gas, and geothermal properties—gross income	15d	
	e	Oil, gas, and geothermal properties—deductions	15e	
	f	Other AMT items (<i>attach statement</i>)	15f	
Items Affecting Shareholder Basis	16a	Tax-exempt interest income	16a	
	b	Other tax-exempt income	16b	
	c	Nondeductible expenses	16c	
	d	Distributions (<i>attach statement if required</i>) (<i>see instructions</i>)	16d	
	e	Repayment of loans from shareholders	16e	
Other Information	17a	Investment income	17a	
	b	Investment expenses	17b	
	c	Dividend distributions paid from accumulated earnings and profits	17c	
	d	Other items and amounts (<i>attach statement</i>)		
Reconciliation	18	Income/loss reconciliation. Combine the amounts on lines 1 through 10 in the far right column. From the result, subtract the sum of the amounts on lines 11 through 12d and 14l	18	

Schedule L Balance Sheets per Books		Beginning of tax year		End of tax year	
		(a)	(b)	(c)	(d)
Assets					
1	Cash				
2a	Trade notes and accounts receivable				
b	Less allowance for bad debts	()		()	
3	Inventories				
4	U.S. government obligations				
5	Tax-exempt securities (see instructions)				
6	Other current assets (attach statement)				
7	Loans to shareholders				
8	Mortgage and real estate loans				
9	Other investments (attach statement)				
10a	Buildings and other depreciable assets				
b	Less accumulated depreciation	()		()	
11a	Depletable assets				
b	Less accumulated depletion	()		()	
12	Land (net of any amortization)				
13a	Intangible assets (amortizable only)				
b	Less accumulated amortization	()		()	
14	Other assets (attach statement)				
15	Total assets				
Liabilities and Shareholders' Equity					
16	Accounts payable				
17	Mortgages, notes, bonds payable in less than 1 year				
18	Other current liabilities (attach statement)				
19	Loans from shareholders				
20	Mortgages, notes, bonds payable in 1 year or more				
21	Other liabilities (attach statement)				
22	Capital stock				
23	Additional paid-in capital				
24	Retained earnings				
25	Adjustments to shareholders' equity (attach statement)				
26	Less cost of treasury stock		()		()
27	Total liabilities and shareholders' equity				

Schedule M-1 Reconciliation of Income (Loss) per Books With Income (Loss) per Return				
Note. Schedule M-3 required instead of Schedule M-1 if total assets are \$10 million or more—see instructions				
1	Net income (loss) per books		5	Income recorded on books this year not included on Schedule K, lines 1 through 10 (itemize):
2	Income included on Schedule K, lines 1, 2, 3c, 4, 5a, 6, 7, 8a, 9, and 10, not recorded on books this year (itemize) _____		a	Tax-exempt interest \$ _____
3	Expenses recorded on books this year not included on Schedule K, lines 1 through 12 and 14l (itemize):		6	Deductions included on Schedule K, lines 1 through 12 and 14l, not charged against book income this year (itemize):
a	Depreciation \$ _____		a	Depreciation \$ _____
b	Travel and entertainment \$ _____		7	Add lines 5 and 6
4	Add lines 1 through 3		8	Income (loss) (Schedule K, line 18). Line 4 less line 7

Schedule M-2 Analysis of Accumulated Adjustments Account, Other Adjustments Account, and Shareholders' Undistributed Taxable Income Previously Taxed (see instructions)			
	(a) Accumulated adjustments account	(b) Other adjustments account	(c) Shareholders' undistributed taxable income previously taxed
1	Balance at beginning of tax year		
2	Ordinary income from page 1, line 21		
3	Other additions		
4	Loss from page 1, line 21	()	
5	Other reductions	()	
6	Combine lines 1 through 5		
7	Distributions other than dividend distributions		
8	Balance at end of tax year. Subtract line 7 from line 6		

Application for Change in Accounting Method

Name of filer (name of parent corporation if a consolidated group) (see instructions)	Identification number (see instructions)
	Principal business activity code number (see instructions)
Number, street, and room or suite no. If a P.O. box, see the instructions.	Tax year of change begins (MM/DD/YYYY) Tax year of change ends (MM/DD/YYYY)
City or town, state, and ZIP code	Name of contact person (see instructions)
Name of applicant(s) (if different than filer) and identification number(s) (see instructions)	Contact person's telephone number

If the applicant is a member of a consolidated group, check this box

If **Form 2848**, Power of Attorney and Declaration of Representative, is attached (see instructions for when Form 2848 is required), check this box

<p>Check the box to indicate the type of applicant.</p> <p><input type="checkbox"/> Individual <input type="checkbox"/> Cooperative (Sec. 1381)</p> <p><input type="checkbox"/> Corporation <input type="checkbox"/> Partnership</p> <p><input type="checkbox"/> Controlled foreign corporation (Sec. 957) <input type="checkbox"/> S corporation</p> <p><input type="checkbox"/> 10/50 corporation (Sec. 904(d)(2)(E)) <input type="checkbox"/> Insurance co. (Sec. 816(a))</p> <p><input type="checkbox"/> Qualified personal service corporation (Sec. 448(d)(2)) <input type="checkbox"/> Insurance co. (Sec. 831)</p> <p><input type="checkbox"/> Exempt organization. Enter Code section ▶</p> <p><input type="checkbox"/> Other (specify) ▶</p>	<p>Check the appropriate box to indicate the type of accounting method change being requested. (see instructions)</p> <p><input type="checkbox"/> Depreciation or Amortization</p> <p><input type="checkbox"/> Financial Products and/or Financial Activities of Financial Institutions</p> <p><input type="checkbox"/> Other (specify) ▶</p>
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Caution. To be eligible for approval of the requested change in method of accounting, the taxpayer must provide all information that is relevant to the taxpayer or to the taxpayer's requested change in method of accounting. This includes all information requested on this Form 3115 (including its instructions), as well as any other information that is not specifically requested.

The taxpayer must attach all applicable supplemental statements requested throughout this form.

Part I Information For Automatic Change Request

		Yes	No
<p>1 Enter the applicable designated automatic accounting method change number for the requested automatic change. Enter only one designated automatic accounting method change number, except as provided for in guidance published by the IRS. If the requested change has no designated automatic accounting method change number, check "Other," and provide both a description of the change and citation of the IRS guidance providing the automatic change. See instructions.</p> <p>▶ (a) Change No. _____ (b) Other <input type="checkbox"/> Description ▶ _____</p>			
<p>2 Do any of the scope limitations described in section 4.02 of Rev. Proc. 2008-52 cause automatic consent to be unavailable for the applicant's requested change? If "Yes," attach an explanation.</p>			
<p>Note. Complete Part II below and then Part IV, and also Schedules A through E of this form (if applicable).</p>			

Part II Information For All Requests

		Yes	No
<p>3 Did or will the applicant cease to engage in the trade or business to which the requested change relates, or terminate its existence, in the tax year of change (see instructions)? If "Yes," the applicant is not eligible to make the change under automatic change request procedures.</p>			
<p>4a Does the applicant (or any present or former consolidated group in which the applicant was a member during the applicable tax year(s)) have any Federal income tax return(s) under examination (see instructions)? If "No," go to line 5.</p>			
<p>b Is the method of accounting the applicant is requesting to change an issue (with respect to either the applicant or any present or former consolidated group in which the applicant was a member during the applicable tax year(s)) either (i) under consideration or (ii) placed in suspense (see instructions)?</p>			

Signature (see instructions)

Under penalties of perjury, I declare that I have examined this application, including accompanying schedules and statements, and to the best of my knowledge and belief, the application contains all the relevant facts relating to the application, and it is true, correct, and complete. Declaration of preparer (other than applicant) is based on all information of which preparer has any knowledge.

Filer

Preparer (other than filer/applicant)

Signature and date

Name and title (print or type)

Signature of individual preparing the application and date

Name of individual preparing the application (print or type)

Name of firm preparing the application

Part II Information For All Requests (continued)

Yes No

- 4c** Is the method of accounting the applicant is requesting to change an issue pending (with respect to either the applicant or any present or former consolidated group in which the applicant was a member during the applicable tax year(s)) for any tax year under examination (see instructions)?
- d** Is the request to change the method of accounting being filed under the procedures requiring that the operating division director consent to the filing of the request (see instructions)?
If "Yes," attach the consent statement from the director.
- e** Is the request to change the method of accounting being filed under the 90-day or 120-day window period?
If "Yes," check the box for the applicable window period and attach the required statement (see instructions).
 90 day 120 day: Date examination ended ▶ _____
- f** If you answered "Yes" to line 4a, enter the name and telephone number of the examining agent and the tax year(s) under examination.
Name ▶ _____ Telephone number ▶ _____ Tax year(s) ▶ _____
- g** Has a copy of this Form 3115 been provided to the examining agent identified on line 4f?
- 5a** Does the applicant (or any present or former consolidated group in which the applicant was a member during the applicable tax year(s)) have any Federal income tax return(s) before Appeals and/or a Federal court?
If "Yes," enter the name of the (check the box) Appeals officer and/or counsel for the government, telephone number, and the tax year(s) before Appeals and/or a Federal court.
Name ▶ _____ Telephone number ▶ _____ Tax year(s) ▶ _____
- b** Has a copy of this Form 3115 been provided to the Appeals officer and/or counsel for the government identified on line 5a?
- c** Is the method of accounting the applicant is requesting to change an issue under consideration by Appeals and/or a Federal court (for either the applicant or any present or former consolidated group in which the applicant was a member for the tax year(s) the applicant was a member) (see instructions)?
If "Yes," attach an explanation.
- 6** If the applicant answered "Yes" to line 4a and/or 5a with respect to any present or former consolidated group, attach a statement that provides each parent corporation's **(a)** name, **(b)** identification number, **(c)** address, and **(d)** tax year(s) during which the applicant was a member that is under examination, before an Appeals office, and/or before a Federal court.
- 7** If, for federal income tax purposes, the applicant is either an entity (including a limited liability company) treated as a partnership or an S corporation, is it requesting a change from a method of accounting that is an issue under consideration in an examination, before Appeals, or before a Federal court, with respect to a Federal income tax return of a partner, member, or shareholder of that entity?
If "Yes," the applicant is **not** eligible to make the change.
- 8a** Does the applicable revenue procedure (advance consent or automatic consent) state that the applicant does not receive audit protection for the requested change (see instructions)?
- b** If "Yes," attach an explanation.
- 9a** Has the applicant, its predecessor, or a related party requested or made (under either an automatic change procedure or a procedure requiring advance consent) a change in method of accounting within the past 5 years (including the year of the requested change)?
- b** If "Yes," for each trade or business, attach a description of each requested change in method of accounting (including the tax year of change) and state whether the applicant received consent.
- c** If any application was withdrawn, not perfected, or denied, or if a Consent Agreement granting a change was not signed and returned to the IRS, or the change was not made or not made in the requested year of change, attach an explanation.
- 10a** Does the applicant, its predecessor, or a related party currently have pending any request (including any concurrently filed request) for a private letter ruling, change in method of accounting, or technical advice?
- b** If "Yes," for each request attach a statement providing the name(s) of the taxpayer, identification number(s), the type of request (private letter ruling, change in method of accounting, or technical advice), and the specific issue(s) in the request(s).
- 11** Is the applicant requesting to change its **overall** method of accounting?
If "Yes," check the appropriate boxes below to indicate the applicant's present and proposed methods of accounting. Also, complete Schedule A on page 4 of this form.

Present method: Cash Accrual Hybrid (attach description)
Proposed method: Cash Accrual Hybrid (attach description)

Part II Information For All Requests (continued)		Yes	No						
12	If the applicant is either (i) not changing its overall method of accounting, or (ii) is changing its overall method of accounting and also changing to a special method of accounting for one or more items, attach a detailed and complete description for each of the following: a The item(s) being changed. b The applicant's present method for the item(s) being changed. c The applicant's proposed method for the item(s) being changed. d The applicant's present overall method of accounting (cash, accrual, or hybrid).								
13	Attach a detailed and complete description of the applicant's trade(s) or business(es), and the principal business activity code for each. If the applicant has more than one trade or business as defined in Regulations section 1.446-1(d), describe: whether each trade or business is accounted for separately; the goods and services provided by each trade or business and any other types of activities engaged in that generate gross income; the overall method of accounting for each trade or business; and which trade or business is requesting to change its accounting method as part of this application or a separate application.								
14	Will the proposed method of accounting be used for the applicant's books and records and financial statements? For insurance companies, see the instructions If "No," attach an explanation.								
15a	Has the applicant engaged, or will it engage, in a transaction to which section 381(a) applies (e.g., a reorganization, merger, or liquidation) during the proposed tax year of change determined without regard to any potential closing of the year under section 381(b)(1)?								
b	If "Yes," for the items of income and expense that are the subject of this application, attach a statement identifying the methods of accounting used by the parties to the section 381(a) transaction immediately before the date of distribution or transfer and the method(s) that would be required by section 381(c)(4) or (c)(5) absent consent to the change(s) requested in this application.								
16	Does the applicant request a conference with the IRS National Office if the IRS proposes an adverse response?								
17	If the applicant is changing to either the overall cash method, an overall accrual method, or is changing its method of accounting for any property subject to section 263A, any long-term contract subject to section 460, or inventories subject to section 474, enter the applicant's gross receipts for the 3 tax years preceding the tax year of change. <table border="1" style="width:100%; border-collapse: collapse; margin-top: 10px;"> <thead> <tr> <th style="width: 33%;">1st preceding year ended: mo. yr.</th> <th style="width: 33%;">2nd preceding year ended: mo. yr.</th> <th style="width: 33%;">3rd preceding year ended: mo. yr.</th> </tr> </thead> <tbody> <tr> <td style="text-align: right;">\$ _____</td> <td style="text-align: right;">\$ _____</td> <td style="text-align: right;">\$ _____</td> </tr> </tbody> </table>	1st preceding year ended: mo. yr.	2nd preceding year ended: mo. yr.	3rd preceding year ended: mo. yr.	\$ _____	\$ _____	\$ _____		
1st preceding year ended: mo. yr.	2nd preceding year ended: mo. yr.	3rd preceding year ended: mo. yr.							
\$ _____	\$ _____	\$ _____							

Part III Information For Advance Consent Request		Yes	No
18	Is the applicant's requested change described in any revenue procedure, revenue ruling, notice, regulation, or other published guidance as an automatic change request? If "Yes," attach an explanation describing why the applicant is submitting its request under advance consent request procedures.		
19	Attach a full explanation of the legal basis supporting the proposed method for the item being changed. Include a detailed and complete description of the facts that explains how the law specifically applies to the applicant's situation and that demonstrates that the applicant is authorized to use the proposed method. Include all authority (statutes, regulations, published rulings, court cases, etc.) supporting the proposed method. Also, include either a discussion of the contrary authorities or a statement that no contrary authority exists.		
20	Attach a copy of all documents related to the proposed change (see instructions).		
21	Attach a statement of the applicant's reasons for the proposed change.		
22	If the applicant is a member of a consolidated group for the year of change, do all other members of the consolidated group use the proposed method of accounting for the item being changed? If "No," attach an explanation.		
23a	Enter the amount of user fee attached to this application (see instructions). ▶ \$ _____		
b	If the applicant qualifies for a reduced user fee, attach the required information or certification (see instructions).		

Part IV Section 481(a) Adjustment		Yes	No
24	Does the applicable revenue procedure, revenue ruling, notice, regulation, or other published guidance require the applicant to implement the requested change in method of accounting on a cut-off basis rather than a section 481(a) adjustment? If "Yes," do not complete lines 25, 26, and 27 below.		
25	Enter the section 481(a) adjustment. Indicate whether the adjustment is an increase (+) or a decrease (-) in income. ▶ \$ _____ Attach a summary of the computation and an explanation of the methodology used to determine the section 481(a) adjustment. If it is based on more than one component, show the computation for each component. If more than one applicant is applying for the method change on the same application, attach a list of the name, identification number, principal business activity code (see instructions), and the amount of the section 481(a) adjustment attributable to each applicant.		

Part IV Section 481(a) Adjustment (continued)		Yes	No
26	If the section 481(a) adjustment is an increase to income of less than \$25,000, does the applicant elect to take the entire amount of the adjustment into account in the year of change?		
27	Is any part of the section 481(a) adjustment attributable to transactions between members of an affiliated group, a consolidated group, a controlled group, or other related parties? If "Yes," attach an explanation.		

Schedule A—Change in Overall Method of Accounting (If Schedule A applies, Part I below must be completed.)

Part I Change in Overall Method (see instructions)

1 Enter the following amounts as of the close of the tax year preceding the year of change. If none, state "None." Also, attach a statement providing a breakdown of the amounts entered on lines 1a through 1g.

	Amount
a Income accrued but not received (such as accounts receivable)	\$
b Income received or reported before it was earned (such as advanced payments). Attach a description of the income and the legal basis for the proposed method	
c Expenses accrued but not paid (such as accounts payable)	
d Prepaid expenses previously deducted	
e Supplies on hand previously deducted and/or not previously reported	
f Inventory on hand previously deducted and/or not previously reported. Complete Schedule D, Part II	
g Other amounts (specify). Attach a description of the item and the legal basis for its inclusion in the calculation of the section 481(a) adjustment. ▶	
h Net section 481(a) adjustment (Combine lines 1a–1g.) Indicate whether the adjustment is an increase (+) or decrease (-) in income. Also enter the net amount of this section 481(a) adjustment amount on Part IV, line 25.	\$

2 Is the applicant also requesting the recurring item exception under section 461(h)(3)? **Yes** **No**

3 Attach copies of the profit and loss statement (Schedule F (Form 1040) for farmers) and the balance sheet, if applicable, as of the close of the tax year preceding the year of change. Also attach a statement specifying the accounting method used when preparing the balance sheet. If books of account are not kept, attach a copy of the business schedules submitted with the Federal income tax return or other return (e.g., tax-exempt organization returns) for that period. If the amounts in Part I, lines 1a through 1g, do not agree with those shown on both the profit and loss statement and the balance sheet, attach a statement explaining the differences.

Part II Change to the Cash Method For Advance Consent Request (see instructions)

Applicants requesting a change to the cash method must attach the following information:

- A description of inventory items (items whose production, purchase, or sale is an income-producing factor) and materials and supplies used in carrying out the business.
- An explanation as to whether the applicant is required to use the accrual method under any section of the Code or regulations.

Schedule B—Change to the Deferral Method for Advance Payments (see instructions)

1 If the applicant is requesting to change to the Deferral Method for advance payments described in section 5.02 of Rev. Proc. 2004-34, 2004-1 C.B. 991, attach the following information:

- A statement explaining how the advance payments meet the definition in section 4.01 of Rev. Proc. 2004-34.
- If the applicant is filing under the automatic change procedures of Rev. Proc. 2008-52, the information required by section 8.02(3)(a)-(c) of Rev. Proc. 2004-34.
- If the applicant is filing under the advance consent provisions of Rev. Proc. 97-27, the information required by section 8.03(2)(a)-(f) of Rev. Proc. 2004-34.

2 If the applicant is requesting to change to the deferral method for advance payments described in Regulations section 1.451-5(b)(1)(ii), attach the following.

- A statement explaining how the advance payments meet the definition in Regulations section 1.451-5(a)(1).
- A statement explaining what portions of the advance payments, if any, are attributable to services, whether such services are integral to the provisions of goods or items, and whether any portions of the advance payments that are attributable to non-integral services are less than five percent of the total contract prices. See Regulations sections 1.451-5(a)(2)(i) and (3).
- A statement explaining that the advance payments will be included in income no later than when included in gross receipts for purposes of the applicant's financial reports. See Regulations section 1.451-5(b)(1)(ii).
- A statement explaining whether the inventoriable goods exception of Regulations section 1.451-5(c) applies and if so, when substantial advance payments will be received under the contracts, and how the exception will limit the deferral of income.

Schedule C—Changes Within the LIFO Inventory Method (see instructions)**Part I General LIFO Information**

Complete this section if the requested change involves changes within the LIFO inventory method. Also, attach a copy of all **Forms 970**, Application To Use LIFO Inventory Method, filed to adopt or expand the use of the LIFO method.

- 1** Attach a description of the applicant's present and proposed LIFO methods and submethods for each of the following items:
 - a** Valuing inventory (e.g., unit method or dollar-value method).
 - b** Pooling (e.g., by line or type or class of goods, natural business unit, multiple pools, raw material content, simplified dollar-value method, inventory price index computation (IPIC) pools, vehicle-pool method, etc.).
 - c** Pricing dollar-value pools (e.g., double-extension, index, link-chain, link-chain index, IPIC method, etc.).
 - d** Determining the current-year cost of goods in the ending inventory (i.e., most recent acquisitions, earliest acquisitions during the current year, average cost of current-year acquisitions, or other permitted method).
- 2** If any present method or submethod used by the applicant is not the same as indicated on Form(s) 970 filed to adopt or expand the use of the method, attach an explanation.
- 3** If the proposed change is not requested for all the LIFO inventory, attach a statement specifying the inventory to which the change is and is not applicable.
- 4** If the proposed change is not requested for all of the LIFO pools, attach a statement specifying the LIFO pool(s) to which the change is applicable.
- 5** Attach a statement addressing whether the applicant values any of its LIFO inventory on a method other than cost. For example, if the applicant values some of its LIFO inventory at retail and the remainder at cost, identify which inventory items are valued under each method.
- 6** If changing to the IPIC method, attach a completed Form 970.

Part II Change in Pooling Inventories

- 1** If the applicant is proposing to change its pooling method or the number of pools, attach a description of the contents of, and state the base year for, each dollar-value pool the applicant presently uses and proposes to use.
- 2** If the applicant is proposing to use natural business unit (NBU) pools or requesting to change the number of NBU pools, attach the following information (to the extent not already provided) in sufficient detail to show that each proposed NBU was determined under Regulations section 1.472-8(b)(1) and (2):
 - a** A description of the types of products produced by the applicant. If possible, attach a brochure.
 - b** A description of the types of processes and raw materials used to produce the products in each proposed pool.
 - c** If all of the products to be included in the proposed NBU pool(s) are not produced at one facility, state the reasons for the separate facilities, the location of each facility, and a description of the products each facility produces.
 - d** A description of the natural business divisions adopted by the taxpayer. State whether separate cost centers are maintained and if separate profit and loss statements are prepared.
 - e** A statement addressing whether the applicant has inventories of items purchased and held for resale that are not further processed by the applicant, including whether such items, if any, will be included in any proposed NBU pool.
 - f** A statement addressing whether all items including raw materials, goods-in-process, and finished goods entering into the entire inventory investment for each proposed NBU pool are presently valued under the LIFO method. Describe any items that are not presently valued under the LIFO method that are to be included in each proposed pool.
 - g** A statement addressing whether, within the proposed NBU pool(s), there are items both sold to unrelated parties and transferred to a different unit of the applicant to be used as a component part of another product prior to final processing.
- 3** If the applicant is engaged in manufacturing and is proposing to use the multiple pooling method or raw material content pools, attach information to show that each proposed pool will consist of a group of items that are substantially similar. See Regulations section 1.472-8(b)(3).
- 4** If the applicant is engaged in the wholesaling or retailing of goods and is requesting to change the number of pools used, attach information to show that each of the proposed pools is based on customary business classifications of the applicant's trade or business. See Regulations section 1.472-8(c).

Schedule D—Change in the Treatment of Long-Term Contracts Under Section 460, Inventories, or Other Section 263A Assets (see instructions)

Part I Change in Reporting Income From Long-Term Contracts (Also complete Part III on pages 7 and 8.)

- 1** To the extent not already provided, attach a description of the applicant's present and proposed methods for reporting income and expenses from long-term contracts. Also, attach a representative actual contract (without any deletion) for the requested change. If the applicant is a construction contractor, attach a detailed description of its construction activities.
- 2a** Are the applicant's contracts long-term contracts as defined in section 460(f)(1) (see instructions)? **Yes** **No**
- b** If "Yes," do all the contracts qualify for the exception under section 460(e) (see instructions)? **Yes** **No**
If line 2b is "No," attach an explanation.
- c** If line 2b is "Yes," is the applicant requesting to use the percentage-of-completion method using cost-to-cost under Regulations section 1.460-4(b)? **Yes** **No**
- d** If line 2c is "No," is the applicant requesting to use the exempt-contract percentage-of-completion method under Regulations section 1.460-4(c)(2)? **Yes** **No**
If line 2d is "Yes," attach an explanation of what cost comparison the applicant will use to determine a contract's completion factor.
If line 2d is "No," attach an explanation of what method the applicant is using and the authority for its use.
- 3a** Does the applicant have long-term manufacturing contracts as defined in section 460(f)(2)? **Yes** **No**
- b** If "Yes," attach an explanation of the applicant's present and proposed method(s) of accounting for long-term manufacturing contracts.
- c** Attach a description of the applicant's manufacturing activities, including any required installation of manufactured goods.
- 4** To determine a contract's completion factor using the percentage-of-completion method:
 - a** Will the applicant use the cost-to-cost method in Regulations section 1.460-4(b)? **Yes** **No**
 - b** If line 4a is "No," is the applicant electing the simplified cost-to-cost method (see section 460(b)(3) and Regulations section 1.460-5(c))? **Yes** **No**
- 5** Attach a statement indicating whether any of the applicant's contracts are either cost-plus long-term contracts or Federal long-term contracts.

Part II Change in Valuing Inventories Including Cost Allocation Changes (Also complete Part III on pages 7 and 8.)

- 1** Attach a description of the inventory goods being changed.
- 2** Attach a description of the inventory goods (if any) NOT being changed.
- 3a** Is the applicant subject to section 263A? If "No," go to line 4a **Yes** **No**
- b** Is the applicant's present inventory valuation method in compliance with section 263A (see instructions)?
If "No," attach a detailed explanation **Yes** **No**
- 4a** Check the appropriate boxes below.

	Inventory Being Changed		Inventory Not Being Changed
	Present method	Proposed method	Present method
Identification methods:			
Specific identification			
FIFO			
LIFO			
Other (attach explanation)			
Valuation methods:			
Cost			
Cost or market, whichever is lower			
Retail cost			
Retail, lower of cost or market			
Other (attach explanation)			
- b** Enter the value at the end of the tax year preceding the year of change
- 5** If the applicant is changing from the LIFO inventory method to a non-LIFO method, attach the following information (see instructions).
 - a** Copies of Form(s) 970 filed to adopt or expand the use of the method.
 - b** **Only for applicants requesting advance consent.** A statement describing whether the applicant is changing to the method required by Regulations section 1.472-6(a) or (b), or whether the applicant is proposing a different method.
 - c** **Only for applicants requesting an automatic change.** The statement required by section 22.01(5) of the Appendix of Rev. Proc. 2008-52 (or its successor).

Part III Method of Cost Allocation (Complete this part if the requested change involves either property subject to section 263A or long-term contracts as described in section 460 (see instructions)).

Section A—Allocation and Capitalization Methods

Attach a description (including sample computations) of the present and proposed method(s) the applicant uses to capitalize direct and indirect costs properly allocable to real or tangible personal property produced and property acquired for resale, or to allocate and, where appropriate, capitalize direct and indirect costs properly allocable to long-term contracts. Include a description of the method(s) used for allocating indirect costs to intermediate cost objectives such as departments or activities prior to the allocation of such costs to long-term contracts, real or tangible personal property produced, and property acquired for resale. The description must include the following:

- 1 The method of allocating direct and indirect costs (i.e., specific identification, burden rate, standard cost, or other reasonable allocation method).
- 2 The method of allocating mixed service costs (i.e., direct reallocation, step-allocation, simplified service cost using the labor-based allocation ratio, simplified service cost using the production cost allocation ratio, or other reasonable allocation method).
- 3 The method of capitalizing additional section 263A costs (i.e., simplified production with or without the historic absorption ratio election, simplified resale with or without the historic absorption ratio election including permissible variations, the U.S. ratio, or other reasonable allocation method).

Section B—Direct and Indirect Costs Required To Be Allocated

Check the appropriate boxes showing the costs that are or will be fully included, to the extent required, in the cost of real or tangible personal property produced or property acquired for resale under section 263A or allocated to long-term contracts under section 460. Mark "N/A" in a box if those costs are not incurred by the applicant. If a box is not checked, it is assumed that those costs are not fully included to the extent required. Attach an explanation for boxes that are not checked.

	Present method	Proposed method
1 Direct material		
2 Direct labor		
3 Indirect labor		
4 Officers' compensation (not including selling activities)		
5 Pension and other related costs		
6 Employee benefits		
7 Indirect materials and supplies		
8 Purchasing costs		
9 Handling, processing, assembly, and repackaging costs		
10 Offsite storage and warehousing costs		
11 Depreciation, amortization, and cost recovery allowance for equipment and facilities placed in service and not temporarily idle		
12 Depletion		
13 Rent		
14 Taxes other than state, local, and foreign income taxes		
15 Insurance		
16 Utilities		
17 Maintenance and repairs that relate to a production, resale, or long-term contract activity		
18 Engineering and design costs (not including section 174 research and experimental expenses)		
19 Rework labor, scrap, and spoilage		
20 Tools and equipment		
21 Quality control and inspection		
22 Bidding expenses incurred in the solicitation of contracts awarded to the applicant		
23 Licensing and franchise costs		
24 Capitalizable service costs (including mixed service costs)		
25 Administrative costs (not including any costs of selling or any return on capital)		
26 Research and experimental expenses attributable to long-term contracts		
27 Interest		
28 Other costs (Attach a list of these costs.)		

Part III Method of Cost Allocation (see instructions) (continued)

Section C—Other Costs Not Required To Be Allocated (Complete Section C only if the applicant is requesting to change its method for these costs.)

	Present method	Proposed method
1 Marketing, selling, advertising, and distribution expenses		
2 Research and experimental expenses not included in Section B, line 26		
3 Bidding expenses not included in Section B, line 22		
4 General and administrative costs not included in Section B		
5 Income taxes		
6 Cost of strikes		
7 Warranty and product liability costs		
8 Section 179 costs		
9 On-site storage		
10 Depreciation, amortization, and cost recovery allowance not included in Section B, line 11		
11 Other costs (Attach a list of these costs.)		

Schedule E—Change in Depreciation or Amortization (see instructions)

Applicants requesting approval to change their method of accounting for depreciation or amortization complete this section. Applicants **must** provide this information for each item or class of property for which a change is requested.

Note. See the **List of Automatic Accounting Method Changes** in the instructions for information regarding automatic changes under sections 56, 167, 168, 197, 1400I, 1400L, or former section 168. **Do not** file Form 3115 with respect to certain late elections and election revocations (see instructions).

- 1** Is depreciation for the property determined under Regulations section 1.167(a)-11 (CLADR)? **Yes** **No**
If “Yes,” the only changes permitted are under Regulations section 1.167(a)-11(c)(1)(iii).
- 2** Is any of the depreciation or amortization required to be capitalized under any Code section (e.g., section 263A)? **Yes** **No**
If “Yes,” enter the applicable section ► _____
- 3** Has a depreciation, amortization, or expense election been made for the property (e.g., the election under sections 168(f)(1), 179, or 179C)? **Yes** **No**
If “Yes,” state the election made ► _____
- 4a** To the extent not already provided, attach a statement describing the property being changed. Include in the description the type of property, the year the property was placed in service, and the property’s use in the applicant’s trade or business or income-producing activity.
- b** If the property is residential rental property, did the applicant live in the property before renting it? . . **Yes** **No**
- c** Is the property public utility property? **Yes** **No**
- 5** To the extent not already provided in the applicant’s description of its present method, attach a statement explaining how the property is treated under the applicant’s present method (e.g., depreciable property, inventory property, supplies under Regulations section 1.162-3, nondepreciable section 263(a) property, property deductible as a current expense, etc.).
- 6** If the property is not currently treated as depreciable or amortizable property, attach a statement of the facts supporting the proposed change to depreciate or amortize the property.
- 7** If the property is currently treated and/or will be treated as depreciable or amortizable property, provide the following information for both the present (if applicable) and proposed methods:
 - a** The Code section under which the property is or will be depreciated or amortized (e.g., section 168(g)).
 - b** The applicable asset class from Rev. Proc. 87-56, 1987-2 C.B. 674, for each asset depreciated under section 168 (MACRS) or under section 1400L; the applicable asset class from Rev. Proc. 83-35, 1983-1 C.B. 745, for each asset depreciated under former section 168 (ACRS); an explanation why no asset class is identified for each asset for which an asset class has not been identified by the applicant.
 - c** The facts to support the asset class for the proposed method.
 - d** The depreciation or amortization method of the property, including the applicable Code section (e.g., 200% declining balance method under section 168(b)(1)).
 - e** The useful life, recovery period, or amortization period of the property.
 - f** The applicable convention of the property.
 - g** A statement of whether or not the additional first-year special depreciation allowance (for example, as provided by section 168(k), 168(l), 168(m), 168(n), 1400L(b), or 1400N(d)) was or will be claimed for the property. If not, also provide an explanation as to why no special depreciation allowance was or will be claimed.

Depreciation and Amortization
(Including Information on Listed Property)

▶ See separate instructions.

▶ Attach to your tax return.

Name(s) shown on return

Business or activity to which this form relates

Identifying number

Part I Election To Expense Certain Property Under Section 179

Note: If you have any listed property, complete Part V before you complete Part I.

1	Maximum amount (see instructions)	1	
2	Total cost of section 179 property placed in service (see instructions)	2	
3	Threshold cost of section 179 property before reduction in limitation (see instructions)	3	
4	Reduction in limitation. Subtract line 3 from line 2. If zero or less, enter -0-	4	
5	Dollar limitation for tax year. Subtract line 4 from line 1. If zero or less, enter -0-. If married filing separately, see instructions	5	
6	(a) Description of property	(b) Cost (business use only)	(c) Elected cost
7	Listed property. Enter the amount from line 29	7	
8	Total elected cost of section 179 property. Add amounts in column (c), lines 6 and 7	8	
9	Tentative deduction. Enter the smaller of line 5 or line 8	9	
10	Carryover of disallowed deduction from line 13 of your 2010 Form 4562	10	
11	Business income limitation. Enter the smaller of business income (not less than zero) or line 5 (see instructions)	11	
12	Section 179 expense deduction. Add lines 9 and 10, but do not enter more than line 11	12	
13	Carryover of disallowed deduction to 2012. Add lines 9 and 10, less line 12 ▶	13	

Note: Do not use Part II or Part III below for listed property. Instead, use Part V.

Part II Special Depreciation Allowance and Other Depreciation (Do not include listed property.) (See instructions.)

14	Special depreciation allowance for qualified property (other than listed property) placed in service during the tax year (see instructions)	14	
15	Property subject to section 168(f)(1) election	15	
16	Other depreciation (including ACRS)	16	

Part III MACRS Depreciation (Do not include listed property.) (See instructions.)

Section A

17	MACRS deductions for assets placed in service in tax years beginning before 2011	17	
18	If you are electing to group any assets placed in service during the tax year into one or more general asset accounts, check here ▶ <input type="checkbox"/>		

Section B—Assets Placed in Service During 2011 Tax Year Using the General Depreciation System

(a) Classification of property	(b) Month and year placed in service	(c) Basis for depreciation (business/investment use only—see instructions)	(d) Recovery period	(e) Convention	(f) Method	(g) Depreciation deduction
19a 3-year property						
b 5-year property						
c 7-year property						
d 10-year property						
e 15-year property						
f 20-year property						
g 25-year property						
h Residential rental property						
i Nonresidential real property						

Section C—Assets Placed in Service During 2011 Tax Year Using the Alternative Depreciation System

20a Class life						
b 12-year						
c 40-year						

Part IV Summary (See instructions.)

21	Listed property. Enter amount from line 28	21	
22	Total. Add amounts from line 12, lines 14 through 17, lines 19 and 20 in column (g), and line 21. Enter here and on the appropriate lines of your return. Partnerships and S corporations—see instructions	22	
23	For assets shown above and placed in service during the current year, enter the portion of the basis attributable to section 263A costs	23	

Part V Listed Property (Include automobiles, certain other vehicles, certain computers, and property used for entertainment, recreation, or amusement.)

Note: For any vehicle for which you are using the standard mileage rate or deducting lease expense, complete **only** 24a, 24b, columns (a) through (c) of Section A, all of Section B, and Section C if applicable.

Section A—Depreciation and Other Information (Caution: See the instructions for limits for passenger automobiles.)

24a Do you have evidence to support the business/investment use claimed? Yes No **24b** If "Yes," is the evidence written? Yes No

(a) Type of property (list vehicles first)	(b) Date placed in service	(c) Business/investment use percentage	(d) Cost or other basis	(e) Basis for depreciation (business/investment use only)	(f) Recovery period	(g) Method/Convention	(h) Depreciation deduction	(i) Elected section 179 cost
25 Special depreciation allowance for qualified listed property placed in service during the tax year and used more than 50% in a qualified business use (see instructions) .						25		
26 Property used more than 50% in a qualified business use:								
		%						
		%						
		%						
27 Property used 50% or less in a qualified business use:								
		%				S/L-		
		%				S/L-		
		%				S/L-		
28 Add amounts in column (h), lines 25 through 27. Enter here and on line 21, page 1 .						28		
29 Add amounts in column (i), line 26. Enter here and on line 7, page 1							29	

Section B—Information on Use of Vehicles

Complete this section for vehicles used by a sole proprietor, partner, or other "more than 5% owner," or related person. If you provided vehicles to your employees, first answer the questions in Section C to see if you meet an exception to completing this section for those vehicles.

	(a) Vehicle 1		(b) Vehicle 2		(c) Vehicle 3		(d) Vehicle 4		(e) Vehicle 5		(f) Vehicle 6	
	Yes	No										
30 Total business/investment miles driven during the year (do not include commuting miles) .												
31 Total commuting miles driven during the year												
32 Total other personal (noncommuting) miles driven												
33 Total miles driven during the year. Add lines 30 through 32												
34 Was the vehicle available for personal use during off-duty hours?												
35 Was the vehicle used primarily by a more than 5% owner or related person?												
36 Is another vehicle available for personal use?												

Section C—Questions for Employers Who Provide Vehicles for Use by Their Employees

Answer these questions to determine if you meet an exception to completing Section B for vehicles used by employees who are not more than 5% owners or related persons (see instructions).

	Yes	No
37 Do you maintain a written policy statement that prohibits all personal use of vehicles, including commuting, by your employees?		
38 Do you maintain a written policy statement that prohibits personal use of vehicles, except commuting, by your employees? See the instructions for vehicles used by corporate officers, directors, or 1% or more owners		
39 Do you treat all use of vehicles by employees as personal use?		
40 Do you provide more than five vehicles to your employees, obtain information from your employees about the use of the vehicles, and retain the information received?		
41 Do you meet the requirements concerning qualified automobile demonstration use? (See instructions.)		

Note: If your answer to 37, 38, 39, 40, or 41 is "Yes," do not complete Section B for the covered vehicles.

Part VI Amortization

(a) Description of costs	(b) Date amortization begins	(c) Amortizable amount	(d) Code section	(e) Amortization period or percentage	(f) Amortization for this year
42 Amortization of costs that begins during your 2011 tax year (see instructions):					
43 Amortization of costs that began before your 2011 tax year				43	
44 Total. Add amounts in column (f). See the instructions for where to report				44	

Sales of Business Property
(Also Involuntary Conversions and Recapture Amounts Under Sections 179 and 280F(b)(2))

Department of the Treasury
Internal Revenue Service

▶ **Attach to your tax return.**

▶ **Information about Form 4797 and its separate instructions is at www.irs.gov/form4797.**

Attachment
Sequence No. **27**

Name(s) shown on return	Identifying number
-------------------------	--------------------

1 Enter the gross proceeds from sales or exchanges reported to you for 2015 on Form(s) 1099-B or 1099-S (or substitute statement) that you are including on line 2, 10, or 20 (see instructions)	1
--	---

Part I Sales or Exchanges of Property Used in a Trade or Business and Involuntary Conversions From Other Than Casualty or Theft—Most Property Held More Than 1 Year (see instructions)

2	(a) Description of property	(b) Date acquired (mo., day, yr.)	(c) Date sold (mo., day, yr.)	(d) Gross sales price	(e) Depreciation allowed or allowable since acquisition	(f) Cost or other basis, plus improvements and expense of sale	(g) Gain or (loss) Subtract (f) from the sum of (d) and (e)

3 Gain, if any, from Form 4684, line 39	3
4 Section 1231 gain from installment sales from Form 6252, line 26 or 37	4
5 Section 1231 gain or (loss) from like-kind exchanges from Form 8824	5
6 Gain, if any, from line 32, from other than casualty or theft.	6
7 Combine lines 2 through 6. Enter the gain or (loss) here and on the appropriate line as follows:	7

Partnerships (except electing large partnerships) and S corporations. Report the gain or (loss) following the instructions for Form 1065, Schedule K, line 10, or Form 1120S, Schedule K, line 9. Skip lines 8, 9, 11, and 12 below.

Individuals, partners, S corporation shareholders, and all others. If line 7 is zero or a loss, enter the amount from line 7 on line 11 below and skip lines 8 and 9. If line 7 is a gain and you did not have any prior year section 1231 losses, or they were recaptured in an earlier year, enter the gain from line 7 as a long-term capital gain on the Schedule D filed with your return and skip lines 8, 9, 11, and 12 below.

8 Nonrecaptured net section 1231 losses from prior years (see instructions)	8
9 Subtract line 8 from line 7. If zero or less, enter -0-. If line 9 is zero, enter the gain from line 7 on line 12 below. If line 9 is more than zero, enter the amount from line 8 on line 12 below and enter the gain from line 9 as a long-term capital gain on the Schedule D filed with your return (see instructions)	9

Part II Ordinary Gains and Losses (see instructions)

10 Ordinary gains and losses not included on lines 11 through 16 (include property held 1 year or less):							

11 Loss, if any, from line 7	11 ()
12 Gain, if any, from line 7 or amount from line 8, if applicable	12
13 Gain, if any, from line 31	13
14 Net gain or (loss) from Form 4684, lines 31 and 38a	14
15 Ordinary gain from installment sales from Form 6252, line 25 or 36	15
16 Ordinary gain or (loss) from like-kind exchanges from Form 8824.	16
17 Combine lines 10 through 16	17

18 For all except individual returns, enter the amount from line 17 on the appropriate line of your return and skip lines a and b below. For individual returns, complete lines a and b below:	
a If the loss on line 11 includes a loss from Form 4684, line 35, column (b)(ii), enter that part of the loss here. Enter the part of the loss from income-producing property on Schedule A (Form 1040), line 28, and the part of the loss from property used as an employee on Schedule A (Form 1040), line 23. Identify as from "Form 4797, line 18a." See instructions	18a
b Redetermine the gain or (loss) on line 17 excluding the loss, if any, on line 18a. Enter here and on Form 1040, line 14	18b

Part III Gain From Disposition of Property Under Sections 1245, 1250, 1252, 1254, and 1255
(see instructions)

19 (a) Description of section 1245, 1250, 1252, 1254, or 1255 property:		(b) Date acquired (mo., day, yr.)	(c) Date sold (mo., day, yr.)		
A					
B					
C					
D					
These columns relate to the properties on lines 19A through 19D. ▶		Property A	Property B	Property C	Property D
20	Gross sales price (Note: See line 1 before completing.)	20			
21	Cost or other basis plus expense of sale	21			
22	Depreciation (or depletion) allowed or allowable.	22			
23	Adjusted basis. Subtract line 22 from line 21.	23			
24	Total gain. Subtract line 23 from line 20	24			
25 If section 1245 property:					
a	Depreciation allowed or allowable from line 22	25a			
b	Enter the smaller of line 24 or 25a	25b			
26 If section 1250 property: If straight line depreciation was used, enter -0- on line 26g, except for a corporation subject to section 291.					
a	Additional depreciation after 1975 (see instructions)	26a			
b	Applicable percentage multiplied by the smaller of line 24 or line 26a (see instructions)	26b			
c	Subtract line 26a from line 24. If residential rental property or line 24 is not more than line 26a, skip lines 26d and 26e	26c			
d	Additional depreciation after 1969 and before 1976.	26d			
e	Enter the smaller of line 26c or 26d	26e			
f	Section 291 amount (corporations only)	26f			
g	Add lines 26b, 26e, and 26f.	26g			
27 If section 1252 property: Skip this section if you did not dispose of farmland or if this form is being completed for a partnership (other than an electing large partnership).					
a	Soil, water, and land clearing expenses	27a			
b	Line 27a multiplied by applicable percentage (see instructions)	27b			
c	Enter the smaller of line 24 or 27b	27c			
28 If section 1254 property:					
a	Intangible drilling and development costs, expenditures for development of mines and other natural deposits, mining exploration costs, and depletion (see instructions)	28a			
b	Enter the smaller of line 24 or 28a	28b			
29 If section 1255 property:					
a	Applicable percentage of payments excluded from income under section 126 (see instructions)	29a			
b	Enter the smaller of line 24 or 29a (see instructions)	29b			

Summary of Part III Gains. Complete property columns A through D through line 29b before going to line 30.

30	Total gains for all properties. Add property columns A through D, line 24	30	
31	Add property columns A through D, lines 25b, 26g, 27c, 28b, and 29b. Enter here and on line 13	31	
32	Subtract line 31 from line 30. Enter the portion from casualty or theft on Form 4684, line 33. Enter the portion from other than casualty or theft on Form 4797, line 6	32	

Part IV Recapture Amounts Under Sections 179 and 280F(b)(2) When Business Use Drops to 50% or Less
(see instructions)

		(a) Section 179	(b) Section 280F(b)(2)
33	Section 179 expense deduction or depreciation allowable in prior years.	33	
34	Recomputed depreciation (see instructions)	34	
35	Recapture amount. Subtract line 34 from line 33. See the instructions for where to report	35	

Farm Rental Income and Expenses

(Crop and Livestock Shares (Not Cash) Received by Landowner (or Sub-Lessor))
(Income not subject to self-employment tax)

2011

Department of the Treasury
Internal Revenue Service (99)

▶ **Attach to Form 1040 or Form 1040NR.**

▶ **See instructions.**

Attachment
Sequence No. **37**

Name(s) shown on tax return

Your social security number

Employer ID number (EIN), if any

A Did you actively participate in the operation of this farm during 2011 (see instructions)? Yes No

Part I Gross Farm Rental Income—Based on Production. Include amounts converted to cash or the equivalent.

1	Income from production of livestock, produce, grains, and other crops		1	
2a	Cooperative distributions (Form(s) 1099-PATR)	2a	2b	Taxable amount
3a	Agricultural program payments (see instructions)	3a	3b	Taxable amount
4	Commodity Credit Corporation (CCC) loans (see instructions):			
a	CCC loans reported under election		4a	
b	CCC loans forfeited	4b	4c	Taxable amount
5	Crop insurance proceeds and federal crop disaster payments (see instructions):			
a	Amount received in 2011	5a	5b	Taxable amount
c	If election to defer to 2012 is attached, check here <input type="checkbox"/>		5d	Amount deferred from 2010
6	Other income, including federal and state gasoline or fuel tax credit or refund (see instructions)		6	
7	Gross farm rental income. Add amounts in the right column for lines 1 through 6. Enter the total here and on Schedule E (Form 1040), line 42. ▶		7	

Part II Expenses—Farm Rental Property. Do not include personal or living expenses.

8	Car and truck expenses (see Schedule F (Form 1040) instructions). Also attach Form 4562	8	21	Pension and profit-sharing plans	21
9	Chemicals	9	22	Rent or lease:	
10	Conservation expenses (see instructions)	10	a	Vehicles, machinery, and equipment (see instructions)	22a
11	Custom hire (machine work)	11	b	Other (land, animals, etc.)	22b
12	Depreciation and section 179 expense deduction not claimed elsewhere	12	23	Repairs and maintenance	23
13	Employee benefit programs other than on line 21 (see Schedule F (Form 1040) instructions).	13	24	Seeds and plants	24
14	Feed	14	25	Storage and warehousing	25
15	Fertilizers and lime	15	26	Supplies	26
16	Freight and trucking	16	27	Taxes	27
17	Gasoline, fuel, and oil	17	28	Utilities	28
18	Insurance (other than health).	18	29	Veterinary, breeding, and medicine	29
19	Interest:		30	Other expenses (specify):	
a	Mortgage (paid to banks, etc.)	19a	a	-----	30a
b	Other	19b	b	-----	30b
20	Labor hired (less employment credits) (see Schedule F (Form 1040) instructions)	20	c	-----	30c
			d	-----	30d
			e	-----	30e
			f	-----	30f
			g	-----	30g
31	Total expenses. Add lines 8 through 30g (see instructions) ▶	31	31		
32	Net farm rental income or (loss). Subtract line 31 from line 7. If the result is income, enter it here and on Schedule E (Form 1040), line 40. If the result is a loss, you must go to lines 33 and 34	32	32		
33	Did you receive an applicable subsidy in 2011? (see instructions)	33	33	<input type="checkbox"/> Yes <input type="checkbox"/> No	
34	If line 32 is a loss, check the box that describes your investment in this activity (see instructions)		34a	<input type="checkbox"/> All investment is at risk.	
			34b	<input type="checkbox"/> Some investment is not at risk.	
c	You may have to complete Form 8582 to determine your deductible loss, regardless of which box you checked (see instructions). If you checked box 34b, you must complete Form 6198 before going to Form 8582. In either case, enter the deductible loss here and on Schedule E (Form 1040), line 40		34c		

Installment Sale Income

▶ **Attach to your tax return.**
 ▶ **Use a separate form for each sale or other disposition of property on the installment method.**
 ▶ **Information about Form 6252 and its instructions is at www.irs.gov/form6252.**

Identifying number

- 1** Description of property ▶ _____
- 2a** Date acquired (mm/dd/yyyy) ▶ _____ **b** Date sold (mm/dd/yyyy) ▶ _____
- 3** Was the property sold to a related party (see instructions) after May 14, 1980? If "No," skip line 4 Yes No
- 4** Was the property you sold to a related party a marketable security? If "Yes," complete Part III. If "No," complete Part III for the year of sale and the 2 years after the year of sale Yes No

Part I Gross Profit and Contract Price. Complete this part for the year of sale only.

5 Selling price including mortgages and other debts. Do not include interest, whether stated or unstated	5		
6 Mortgages, debts, and other liabilities the buyer assumed or took the property subject to (see instructions)	6		
7 Subtract line 6 from line 5	7		
8 Cost or other basis of property sold	8		
9 Depreciation allowed or allowable	9		
10 Adjusted basis. Subtract line 9 from line 8	10		
11 Commissions and other expenses of sale	11		
12 Income recapture from Form 4797, Part III (see instructions)	12		
13 Add lines 10, 11, and 12	13		
14 Subtract line 13 from line 5. If zero or less, do not complete the rest of this form (see instructions)	14		
15 If the property described on line 1 above was your main home, enter the amount of your excluded gain (see instructions). Otherwise, enter -0-	15		
16 Gross profit. Subtract line 15 from line 14	16		
17 Subtract line 13 from line 6. If zero or less, enter -0-	17		
18 Contract price. Add line 7 and line 17	18		

Part II Installment Sale Income. Complete this part for the year of sale **and** any year you receive a payment or have certain debts you must treat as a payment on installment obligations.

19 Gross profit percentage (expressed as a decimal amount). Divide line 16 by line 18. For years after the year of sale, see instructions	19		
20 If this is the year of sale, enter the amount from line 17. Otherwise, enter -0-	20		
21 Payments received during year (see instructions). Do not include interest, whether stated or unstated	21		
22 Add lines 20 and 21	22		
23 Payments received in prior years (see instructions). Do not include interest, whether stated or unstated	23		
24 Installment sale income. Multiply line 22 by line 19	24		
25 Enter the part of line 24 that is ordinary income under the recapture rules (see instructions)	25		
26 Subtract line 25 from line 24. Enter here and on Schedule D or Form 4797 (see instructions).	26		

Part III Related Party Installment Sale Income. **Do not** complete if you received the final payment this tax year.

- 27** Name, address, and taxpayer identifying number of related party _____
- 28** Did the related party resell or dispose of the property ("second disposition") during this tax year? Yes No
- 29** If the answer to question 28 is "Yes," complete lines 30 through 37 below unless one of the following conditions is met. Check the box that applies.
- a** The second disposition was more than 2 years after the first disposition (other than dispositions of marketable securities). If this box is checked, enter the date of disposition (mm/dd/yyyy) ▶ _____
- b** The first disposition was a sale or exchange of stock to the issuing corporation.
- c** The second disposition was an involuntary conversion and the threat of conversion occurred after the first disposition.
- d** The second disposition occurred after the death of the original seller or buyer.
- e** It can be established to the satisfaction of the IRS that tax avoidance was not a principal purpose for either of the dispositions. If this box is checked, attach an explanation (see instructions).
- | | | | |
|--|-----------|--|--|
| 30 Selling price of property sold by related party (see instructions) | 30 | | |
| 31 Enter contract price from line 18 for year of first sale | 31 | | |
| 32 Enter the smaller of line 30 or line 31 | 32 | | |
| 33 Total payments received by the end of your 2015 tax year (see instructions) | 33 | | |
| 34 Subtract line 33 from line 32. If zero or less, enter -0- | 34 | | |
| 35 Multiply line 34 by the gross profit percentage on line 19 for year of first sale | 35 | | |
| 36 Enter the part of line 35 that is ordinary income under the recapture rules (see instructions) | 36 | | |
| 37 Subtract line 36 from line 35. Enter here and on Schedule D or Form 4797 (see instructions). | 37 | | |

General Instructions

Section references are to the Internal Revenue Code unless otherwise noted.

Future Developments

For the latest information about developments related to Form 6252 and its instructions, such as legislation enacted after they were published, go to www.irs.gov/form6252.

Purpose of Form

Use Form 6252 to report income from an installment sale on the installment method. Generally, an installment sale is a disposition of property where at least one payment is received after the end of the tax year in which the disposition occurs. Ordinarily, an installment sale does not include a disposition of personal property by a person who regularly sells or otherwise disposes of personal property of the same type, or a disposition of real property which is held by the taxpayer for sale to customers in the ordinary course of the taxpayer's trade or business. However, gain on some dispositions by dealers in real property or farmers who dispose of any property used or produced in the trade or business of farming may be reported on the installment method.

Do not file Form 6252 for sales that do not result in a gain, even if you will receive a payment in a tax year after the year of sale. Instead, report the entire sale on Form 4797, Sales of Business Property, Form 8949, Sales and Other Dispositions of Capital Assets, or the Schedule D for your tax return, whichever applies.

Do not file Form 6252 to report sales during the tax year of stock or securities traded on an established securities market. Instead, treat all payments as received during the year of sale.

Do not file Form 6252 if you elect not to report the sale on the installment method. To elect out, report the full amount of the gain on a timely filed return (including extensions) on Form 4797, Form 8949, or the Schedule D for your tax return, whichever applies. If you filed your original return on time without making the election, you can make the election on an amended return filed no later than 6 months after the due date of your tax return, excluding extensions. Write "Filed pursuant to section 301.9100-2" at the top of the amended return.

Which Parts To Complete

Year of Sale

Complete lines 1 through 4, Part I, and Part II. If you sold property to a related party during the year, also complete Part III.

Later Years

Complete lines 1 through 4 and Part II for any year in which you receive a payment from an installment sale.

If you sold a marketable security to a related party after May 14, 1980, and before 1987, complete Form 6252 for each year of the installment agreement, even if you did not receive a payment. Complete lines 1 through 4. Complete Part II for any year in which you receive a payment from the sale. Complete Part III unless you received the final payment during the tax year.

After 1986, the installment method is not available for the sale of marketable securities.

If you sold property other than a marketable security to a related party after May 14, 1980, complete Form 6252 for the year of sale and for 2 years after the year of sale, even if you did not receive a payment. Complete lines 1 through 4. Complete Part II for any year during this 2-year period in which you receive a payment from the sale. Complete Part III for the 2 years after the year of sale unless you received the final payment during the tax year.

Special Rules

Interest

If any part of an installment payment you received is for interest or original issue discount, report that income on the appropriate form or schedule. Do not report interest received, carrying charges received, or unstated interest on Form 6252. See Pub. 537, Installment Sales, for details on unstated interest.

Installment Sales to Related Party

A special rule applies to a first disposition (sale or exchange) of property under the installment method to a related party who then makes a second disposition (sale, exchange, gift, or cancellation of installment note) before making all payments on the first disposition. For this purpose, a related party includes your spouse, child, grandchild, parent, brother, sister, or a related corporation, S corporation, partnership, estate, or trust. See section 453(f)(1) for more details.

Under this rule, treat part or all of the amount the related party realized (or the fair market value (FMV) if the disposed property is not sold or exchanged) from the second disposition as if you received it from the first disposition at the time of the second disposition. Figure the gain, if any, on lines 30 through 37. This rule does not apply if any of the conditions listed on line 29 are met.

Sale of Depreciable Property to Related Person

Generally, if you sell depreciable property to a related person (as defined in section 453(g)(3)), you cannot report the sale using the installment method. For this purpose, depreciable property is any property that (in the hands of the person or entity to whom you transfer it) is subject to the allowance for depreciation. However, you can use the installment method if you can show to the satisfaction of the IRS that avoidance of federal income taxes was not one of the principal purposes of the sale (for example, no significant tax deferral benefits will result from the sale). If the installment method does not apply, report the sale on Form 4797, Form 8949, or Schedule D, whichever applies. Treat all payments you will receive as if they were received in the year of sale. Use FMV for any payment that is contingent as to amount. If the FMV cannot be readily determined, basis is recovered ratably.

Pledge Rule

For certain dispositions under the installment method, if an installment obligation is pledged as security on a debt, the net proceeds of the secured debt are treated as payment on the installment obligation. However, the amount treated as payment cannot be more than the excess of the total installment contract price over any payments received under the contract before the secured debt was obtained.

An installment obligation is pledged as security on a debt to the extent that payment of principal and interest on the debt is directly secured by an interest in the installment obligation. For sales after December 16, 1999, payment on a debt is treated as directly secured by an interest in an installment obligation to the extent an arrangement allows you to satisfy all or part of the debt with the installment obligation.

The pledge rule applies to any installment sale after 1988 with a sales price of over \$150,000 except:

- Personal use property disposed of by an individual,
- Farm property, and
- Timeshares and residential lots.

However, the pledge rule does not apply to pledges made after December 17, 1987, if the debt is incurred to refinance the principal amount of a debt that was outstanding on December 17, 1987, and was secured by nondealer installment obligations on that date and at all times after that date until the refinancing. This exception does not apply to the extent that the principal amount of the debt resulting from the refinancing exceeds the principal

amount of the refinanced debt immediately before the refinancing. Also, the pledge rule does not affect refinancing due to the calling of a debt by the creditor if the debt is then refinanced by a person other than this creditor or someone related to the creditor.

Interest on Deferred Tax

Generally, you must pay interest on the deferred tax related to any obligation that arises during a tax year from the disposition of property under the installment method if:

- The property had a sales price over \$150,000, and
- The aggregate balance of all nondealer installment obligations arising during, and outstanding at the close of, the tax year is more than \$5 million.

You must pay interest in subsequent years if installment obligations that originally required interest to be paid are still outstanding at the close of a tax year.

The interest rules do not apply to dispositions of:

- Farm property,
- Personal use property by an individual,
- Real property before 1988, or
- Personal property before 1989.

See section 453(l) for more information on the sale of timeshares and residential lots under the installment method.

How to report the interest. The interest is not figured on Form 6252. See Pub. 537 for details on how to report the interest.

Additional Information

See Pub. 537 for additional information, including details about reductions in selling price, the single sale of several assets, like-kind exchanges, dispositions of installment obligations, and repossession.

Specific Instructions

Part I—Gross Profit and Contract Price

Line 5

Enter the total of any money, face amount of the installment obligation, and the FMV of other property or services that you received or will receive in exchange for the property sold. Include on line 5 any existing mortgage or other debt the buyer assumed or took the property subject to. Do not include stated interest, unstated interest, any amount recomputed or recharacterized as interest, or original issue discount.

If there is no stated maximum selling price, such as in a contingent payment sale, attach a schedule showing the computation of gain. Enter the taxable part of the payment on line 24 and also on line 35 if Part III applies. See Temporary Regulations section 15A.453-1.

Line 6

Enter only mortgages or other debts the buyer assumed from the seller or took the property subject to. Do not include new mortgages the buyer gets from a bank, the seller, or other sources.

Line 8

Enter the original cost and other expenses you incurred in buying the property. Add the cost of improvements, etc., and subtract any casualty losses and any of the following credits previously allowed with respect to the property.

- Nonbusiness energy property credit.
- Residential energy efficient property credit.
- Adoption credit.
- District of Columbia first-time homebuyer credit.
- Disabled access credit.
- New markets credit.
- Credit for employer-provided childcare facilities and services.
- Energy efficient home credit.
- Alternative motor vehicle credit.
- Alternative fuel vehicle refueling property credit.
- Qualified railroad track maintenance credit.
- Enhanced oil recovery credit.
- Qualified plug-in electric drive motor vehicle credit.
- Qualified plug-in electric vehicle credit.
- Qualified electric vehicle credit.

For additional information, see Pub. 551, Basis of Assets.

Line 9

Enter all depreciation or amortization you deducted or were allowed to deduct from the date of purchase until the date of sale. Adjust the depreciation or amortization amount by adding any of the following deductions previously taken with respect to the property.

- Section 179 expense.
- Commercial revitalization deduction.
- Deduction for clean-fuel vehicles and refueling property.
- Deductions claimed under sections 190 and 193.

- Deductions claimed under section 1253(d)(2) and (3) (as in effect before enactment of P.L. 103-66).
- Basis reduction to investment credit property.

Subtract the following recapture amounts and credits previously allowed with respect to the property.

- Section 179 or 280F.
- Clean-fuel vehicles and refueling property.
- Investment credit amount.
- Credit for employer-provided childcare facilities and services.
- Alternative motor vehicle credit.
- Alternative fuel vehicle refueling property credit.
- Qualified plug-in electric drive motor vehicle credit.
- Qualified plug-in electric vehicle credit.
- Qualified electric vehicle credit.

Line 11

Enter sales commissions, advertising expenses, attorney and legal fees, and other selling expenses incurred to sell the property.

Line 12

Any ordinary income recapture under section 1245 or 1250 (including sections 179 and 291) is fully taxable in the year of sale even if no payments were received. To figure the recapture amount, complete Form 4797, Part III. The ordinary income recapture is the amount on line 31 of Form 4797. Enter it on line 12 of Form 6252 and also on line 13 of Form 4797. Do not enter any gain for this property on line 32 of Form 4797. If you used Form 4797 only to figure the recapture amount on line 12 of Form 6252, enter "N/A" on line 32 of Form 4797. Partnerships and S corporations and their partners and shareholders, see the Instructions for Form 4797.

Line 14

Do not file Form 6252 if line 14 is zero or less. Instead, report the entire sale on Form 4797, Form 8949, or the Schedule D for your tax return.

Line 15

If the property described on line 1 was your main home, you may be able to exclude part or all of your gain. See Pub. 523, Selling Your Home, for details.

Part II—Installment Sale Income

Line 19

Enter the gross profit percentage (expressed as a decimal amount) determined for the year of sale even if you did not file Form 6252 for that year.

Line 21

Enter all money and the FMV of any property or services you received in 2015. Include as payments any amount withheld to pay off a mortgage or other debt or to pay broker and legal fees. Generally, do not include as a payment the buyer's note, a mortgage, or other debt assumed by the buyer. However, a note or other debt that is payable on demand or readily tradable in an established securities market is considered a payment. For sales occurring before October 22, 2004, a note or other debt is considered a payment only if it was issued by a corporation or governmental entity. If you did not receive any payments in 2015, enter zero. If in prior years an amount was entered on the equivalent of line 34 of the 2015 form, do not include it on this line. Instead, enter it on line 23. See *Pledge Rule*, earlier, for details about proceeds of debt secured by installment obligations that must be treated as payments on installment obligations.

Line 23

Enter all money and the FMV of property or services you received before 2015 from the sale. Include allocable installment income and any other deemed payments from prior years.

Deemed payments include amounts deemed received because of:

- A second disposition by a related party, or
- The pledge rule of section 453A(d).

Line 25

Enter here and on Form 4797, line 15, any ordinary income recapture on section 1252, 1254, or 1255 property for the year of sale or all remaining recapture from a prior year sale. Do not enter ordinary income from a section 179 expense deduction. If this is the year of sale, complete Form 4797, Part III. The amount from line 27c, 28b, or 29b of Form 4797 is the ordinary income recapture. Do not enter any gain for this property on line 31 or 32 of Form 4797. If you used Form 4797 only to figure the recapture on line 25 or 36 of Form 6252, enter "N/A" on lines 31 and 32 of Form 4797.

Also report on this line any ordinary income recapture remaining from prior years on section 1245 or 1250 property sold before June 7, 1984.

Do not enter on line 25 more than the amount shown on line 24. Any excess must be reported in future years on Form 6252 up to the taxable part of the installment sale until all of the recapture has been reported.

Line 26

For trade or business property held more than 1 year, enter this amount on Form 4797, line 4. If the property was held 1 year or less or you have an ordinary gain from the sale of a noncapital asset (even if the holding period is more than 1 year), enter this amount on Form 4797, line 10, and write "From Form 6252." If the property was section 1250 property (generally, real property that you depreciated) held more than 1 year, figure the total amount of unrecaptured section 1250 gain included on line 26 using the Unrecaptured Section 1250 Gain Worksheet in the Instructions for Schedule D (Form 1040).

For capital assets, enter this amount on Schedule D as a short- or long-term gain on the lines identified as from Form 6252.

Part III—Related Party Installment Sale Income**Line 29**

If one of the conditions is met, check the appropriate box and skip lines 30 through 37. If you checked box 29e, attach an explanation. Generally, the nontax avoidance exception will apply to the second disposition if:

- The disposition was involuntary (for example, a creditor of the related party foreclosed on the property or the related party declared bankruptcy), or
- The disposition was an installment sale under which the terms of payment were substantially equal to or longer than those for the first sale. However, the resale terms must not permit significant deferral of recognition of gain from the first sale (for example, amounts from the resale are being collected sooner).

Line 30

If the related party sold all or part of the property from the original sale in 2015, enter the amount realized from the part resold. If part was sold in an earlier year and part was sold this year, enter the cumulative amount realized from the resale.

Amount realized. The amount realized from a sale or exchange is the total of all money received plus the FMV of all property or services received. The amount realized also includes any liabilities that were assumed by the buyer and any liabilities to which the property transferred is subject, such as real estate taxes or a mortgage. For details, see Pub. 544, *Sales and Other Dispositions of Assets*.

Line 33

If you completed Part II, enter the sum of lines 22 and 23. Otherwise, enter all money and the FMV of property you received before 2015 from the sale. Include allocable installment income and any other deemed payments from prior years. Do not include interest, whether stated or unstated.

Line 36

See the instructions for line 25. Do not enter on line 36 more than the amount shown on line 35. Any excess must be reported in future years on Form 6252 up to the taxable part of the installment sale until all of the recapture has been reported.

Line 37

See the instructions for line 26.

Paperwork Reduction Act Notice. We ask for the information on this form to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated burden for individual taxpayers filing this form is approved under OMB control number 1545-0074 and is included in the estimates shown in the instructions for their individual income tax return. The estimated burden for all other taxpayers who file this form is shown below.

Recordkeeping 1 hr., 18 min.

Learning about the law or the form 24 min.

Preparing the form 1 hr.

Copying, assembling, and sending the form to the IRS . 20 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. See the instructions for the tax return with which this form is filed.

Noncash Charitable Contributions

▶ **Attach to your tax return if you claimed a total deduction of over \$500 for all contributed property.**
 ▶ **See separate instructions.**

OMB No. 1545-0908

Attachment
 Sequence No. **155**

Name(s) shown on your income tax return

Identifying number

Note. Figure the amount of your contribution deduction before completing this form. See your tax return instructions.

Section A. Donated Property of \$5,000 or Less and Certain Publicly Traded Securities—List in this section **only** items (or groups of similar items) for which you claimed a deduction of \$5,000 or less. Also, list certain publicly traded securities even if the deduction is more than \$5,000 (see instructions).

Part I Information on Donated Property—If you need more space, attach a statement.

1	(a) Name and address of the donee organization	(b) Description of donated property (For a donated vehicle, enter the year, make, model, condition, and mileage, and attach Form 1098-C if required.)
A		
B		
C		
D		
E		

Note. If the amount you claimed as a deduction for an item is \$500 or less, you do not have to complete columns (d), (e), and (f).

	(c) Date of the contribution	(d) Date acquired by donor (mo., yr.)	(e) How acquired by donor	(f) Donor's cost or adjusted basis	(g) Fair market value (see instructions)	(h) Method used to determine the fair market value
A						
B						
C						
D						
E						

Part II Partial Interests and Restricted Use Property—Complete lines 2a through 2e if you gave less than an entire interest in a property listed in Part I. Complete lines 3a through 3c if conditions were placed on a contribution listed in Part I; also attach the required statement (see instructions).

2a Enter the letter from Part I that identifies the property for which you gave less than an entire interest ▶ _____ . If Part II applies to more than one property, attach a separate statement.

b Total amount claimed as a deduction for the property listed in Part I: **(1)** For this tax year ▶ _____ .
(2) For any prior tax years ▶ _____ .

c Name and address of each organization to which any such contribution was made in a prior year (complete only if different from the donee organization above):

Name of charitable organization (donee) _____

Address (number, street, and room or suite no.) _____

City or town, state, and ZIP code _____

d For tangible property, enter the place where the property is located or kept ▶ _____

e Name of any person, other than the donee organization, having actual possession of the property ▶ _____

3a Is there a restriction, either temporary or permanent, on the donee's right to use or dispose of the donated property?

	Yes	No

b Did you give to anyone (other than the donee organization or another organization participating with the donee organization in cooperative fundraising) the right to the income from the donated property or to the possession of the property, including the right to vote donated securities, to acquire the property by purchase or otherwise, or to designate the person having such income, possession, or right to acquire?

c Is there a restriction limiting the donated property for a particular use?

Name(s) shown on your income tax return	Identifying number
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Section B. Donated Property Over \$5,000 (Except Certain Publicly Traded Securities)—List in this section only items (or groups of similar items) for which you claimed a deduction of more than \$5,000 per item or group (except contributions of certain publicly traded securities reported in Section A). An appraisal is generally required for property listed in Section B (see instructions).

Part I Information on Donated Property—To be completed by the taxpayer and/or the appraiser.

- 4** Check the box that describes the type of property donated:
- | | | |
|--|--|-------------------------------------|
| <input type="checkbox"/> Art* (contribution of \$20,000 or more) | <input type="checkbox"/> Qualified Conservation Contribution | <input type="checkbox"/> Equipment |
| <input type="checkbox"/> Art* (contribution of less than \$20,000) | <input type="checkbox"/> Other Real Estate | <input type="checkbox"/> Securities |
| <input type="checkbox"/> Collectibles** | <input type="checkbox"/> Intellectual Property | <input type="checkbox"/> Other |

*Art includes paintings, sculptures, watercolors, prints, drawings, ceramics, antiques, decorative arts, textiles, carpets, silver, rare manuscripts, historical memorabilia, and other similar objects.

**Collectibles include coins, stamps, books, gems, jewelry, sports memorabilia, dolls, etc., but not art as defined above.

Note. In certain cases, you must attach a qualified appraisal of the property. See instructions.

	(a) Description of donated property (if you need more space, attach a separate statement)	(b) If tangible property was donated, give a brief summary of the overall physical condition of the property at the time of the gift	(c) Appraised fair market value
A			
B			
C			
D			

	(d) Date acquired by donor (mo., yr.)	(e) How acquired by donor	(f) Donor's cost or adjusted basis	(g) For bargain sales, enter amount received	See instructions	
					(h) Amount claimed as a deduction	(i) Average trading price of securities
A						
B						
C						
D						

Part II Taxpayer (Donor) Statement—List each item included in Part I above that the appraisal identifies as having a value of \$500 or less. See instructions.

I declare that the following item(s) included in Part I above has to the best of my knowledge and belief an appraised value of not more than \$500 (per item). Enter identifying letter from Part I and describe the specific item. See instructions. ► _____

Signature of taxpayer (donor) ► _____ Date ► _____

Part III Declaration of Appraiser

I declare that I am not the donor, the donee, a party to the transaction in which the donor acquired the property, employed by, or related to any of the foregoing persons, or married to any person who is related to any of the foregoing persons. And, if regularly used by the donor, donee, or party to the transaction, I performed the majority of my appraisals during my tax year for other persons.

Also, I declare that I hold myself out to the public as an appraiser or perform appraisals on a regular basis; and that because of my qualifications as described in the appraisal, I am qualified to make appraisals of the type of property being valued. I certify that the appraisal fees were not based on a percentage of the appraised property value. Furthermore, I understand that a false or fraudulent overstatement of the property value as described in the qualified appraisal or this Form 8283 may subject me to the penalty under section 6701(a) (aiding and abetting the understatement of tax liability). In addition, I understand that a substantial or gross valuation misstatement resulting from the appraisal of the value of the property that I know, or reasonably should know, would be used in connection with a return or claim for refund, may subject me to the penalty under section 6695A. I affirm that I have not been barred from presenting evidence or testimony by the Office of Professional Responsibility.

Sign Here | Signature ► _____ Title ► _____ Date ► _____

Business address (including room or suite no.)	Identifying number
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City or town, state, and ZIP code

Part IV Donee Acknowledgment—To be completed by the charitable organization.

This charitable organization acknowledges that it is a qualified organization under section 170(c) and that it received the donated property as described in Section B, Part I, above on the following date ► _____

Furthermore, this organization affirms that in the event it sells, exchanges, or otherwise disposes of the property described in Section B, Part I (or any portion thereof) within 3 years after the date of receipt, it will file **Form 8282**, Donee Information Return, with the IRS and give the donor a copy of that form. This acknowledgment does not represent agreement with the claimed fair market value.

Does the organization intend to use the property for an unrelated use? ► Yes No

Name of charitable organization (donee)	Employer identification number	
Address (number, street, and room or suite no.)	City or town, state, and ZIP code	
Authorized signature	Title	Date

Report of Cash Payments Over \$10,000 Received in a Trade or Business

▶ See instructions for definition of cash.
▶ Use this form for transactions occurring after July 8, 2012. Do not use prior versions after this date.
For Privacy Act and Paperwork Reduction Act Notice, see the last page.

1 Check appropriate box(es) if: a Amends prior report; b Suspicious transaction.

Part I Identity of Individual From Whom the Cash Was Received

2 If more than one individual is involved, check here and see instructions

3 Last name	4 First name	5 M.I.	6 Taxpayer identification number
7 Address (number, street, and apt. or suite no.)		8 Date of birth (see instructions)	M M D D Y Y Y Y
9 City	10 State	11 ZIP code	12 Country (if not U.S.)
14 Identifying document (ID)	a Describe ID ▶ c Number ▶		b Issued by ▶

Part II Person on Whose Behalf This Transaction Was Conducted

15 If this transaction was conducted on behalf of more than one person, check here and see instructions

16 Individual's last name or organization's name	17 First name	18 M.I.	19 Taxpayer identification number
20 Doing business as (DBA) name (see instructions)			Employer identification number
21 Address (number, street, and apt. or suite no.)		22 Occupation, profession, or business	
23 City	24 State	25 ZIP code	26 Country (if not U.S.)
27 Alien identification (ID)	a Describe ID ▶ c Number ▶		b Issued by ▶

Part III Description of Transaction and Method of Payment

28 Date cash received M M D D Y Y Y Y	29 Total cash received \$.00	30 If cash was received in more than one payment, check here <input type="checkbox"/>	31 Total price if different from item 29 \$.00
32 Amount of cash received (in U.S. dollar equivalent) (must equal item 29) (see instructions):			
a U.S. currency	\$.00	(Amount in \$100 bills or higher \$.00)	
b Foreign currency	\$.00	(Country ▶)	
c Cashier's check(s)	\$.00	} Issuer's name(s) and serial number(s) of the monetary instrument(s) ▶ ----- -----	
d Money order(s)	\$.00		
e Bank draft(s)	\$.00		
f Traveler's check(s)	\$.00		
33 Type of transaction		34 Specific description of property or service shown in 33. Give serial or registration number, address, docket number, etc. ▶	
a <input type="checkbox"/> Personal property purchased	f <input type="checkbox"/> Debt obligations paid	----- ----- -----	
b <input type="checkbox"/> Real property purchased	g <input type="checkbox"/> Exchange of cash		
c <input type="checkbox"/> Personal services provided	h <input type="checkbox"/> Escrow or trust funds		
d <input type="checkbox"/> Business services provided	i <input type="checkbox"/> Bail received by court clerks		
e <input type="checkbox"/> Intangible property purchased	j <input type="checkbox"/> Other (specify in item 34) ▶		

Part IV Business That Received Cash

35 Name of business that received cash	36 Employer identification number		
37 Address (number, street, and apt. or suite no.)	Social security number		
38 City	39 State	40 ZIP code	41 Nature of your business

42 Under penalties of perjury, I declare that to the best of my knowledge the information I have furnished above is true, correct, and complete.

Signature Authorized official Title

43 Date of signature M M D D Y Y Y Y	44 Type or print name of contact person	45 Contact telephone number
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Multiple Parties

(Complete applicable parts below if box 2 or 15 on page 1 is checked)

Part I Continued—Complete if box 2 on page 1 is checked

Form section for Part I, entry 1. Includes fields for Last name, First name, M.I., Taxpayer identification number, Address, Date of birth, City, State, ZIP code, Country, Occupation, and Identifying document details.

Form section for Part I, entry 2. Includes fields for Last name, First name, M.I., Taxpayer identification number, Address, Date of birth, City, State, ZIP code, Country, Occupation, and Identifying document details.

Part II Continued—Complete if box 15 on page 1 is checked

Form section for Part II, entry 1. Includes fields for Individual's last name or organization's name, First name, M.I., Taxpayer identification number, Doing business as (DBA) name, Employer identification number, Address, Occupation, City, State, ZIP code, Country, and Alien identification details.

Form section for Part II, entry 2. Includes fields for Individual's last name or organization's name, First name, M.I., Taxpayer identification number, Doing business as (DBA) name, Employer identification number, Address, Occupation, City, State, ZIP code, Country, and Alien identification details.

Comments - Please use the lines provided below to comment on or clarify any information you entered on any line in Parts I, II, III, and IV

**Asset Acquisition Statement
 Under Section 1060**

▶ **Attach to your income tax return.** ▶ **See separate instructions.**

Name as shown on return	Identifying number as shown on return
-------------------------	---------------------------------------

Check the box that identifies you:
 Purchaser Seller

Part I General Information

1 Name of other party to the transaction	Other party's identifying number
---	----------------------------------

Address (number, street, and room or suite no.)

City or town, state, and ZIP code

2 Date of sale	3 Total sales price (consideration)
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Part II Original Statement of Assets Transferred

4 Assets	Aggregate fair market value (actual amount for Class I)	Allocation of sales price
Class I	\$	\$
Class II	\$	\$
Class III	\$	\$
Class IV	\$	\$
Class V	\$	\$
Class VI and VII	\$	\$
Total	\$	\$

5 Did the purchaser and seller provide for an allocation of the sales price in the sales contract or in another written document signed by both parties? Yes No

If "Yes," are the aggregate fair market values (FMV) listed for each of asset Classes I, II, III, IV, V, VI, and VII the amounts agreed upon in your sales contract or in a separate written document? Yes No

6 In the purchase of the group of assets (or stock), did the purchaser also purchase a license or a covenant not to compete, or enter into a lease agreement, employment contract, management contract, or similar arrangement with the seller (or managers, directors, owners, or employees of the seller)? Yes No

If "Yes," attach a schedule that specifies **(a)** the type of agreement and **(b)** the maximum amount of consideration (not including interest) paid or to be paid under the agreement. See instructions.

Like-Kind Exchanges
 (and section 1043 conflict-of-interest sales)

▶ **Attach to your tax return.**
 ▶ **Information about Form 8824 and its separate instructions is at www.irs.gov/form8824.**

Name(s) shown on tax return

Identifying number

Part I Information on the Like-Kind Exchange

Note: If the property described on line 1 or line 2 is real or personal property located outside the United States, indicate the country.

- 1 Description of like-kind property given up:

- 2 Description of like-kind property received:

- | | | | |
|---|---|---|------------|
| 3 | Date like-kind property given up was originally acquired (month, day, year) | 3 | MM/DD/YYYY |
| 4 | Date you actually transferred your property to other party (month, day, year) | 4 | MM/DD/YYYY |
| 5 | Date like-kind property you received was identified by written notice to another party (month, day, year). See instructions for 45-day written identification requirement | 5 | MM/DD/YYYY |
| 6 | Date you actually received the like-kind property from other party (month, day, year). See instructions | 6 | MM/DD/YYYY |
- 7 Was the exchange of the property given up or received made with a related party, either directly or indirectly (such as through an intermediary)? See instructions. If "Yes," complete Part II. If "No," go to Part III **Yes** **No**

Note: Do not file this form if a related party sold property into the exchange, directly or indirectly (such as through an intermediary); that property became your replacement property; and none of the exceptions in line 11 applies to the exchange. Instead, report the disposition of the property as if the exchange had been a sale. If one of the exceptions on line 11 applies to the exchange, complete Part II.

Part II Related Party Exchange Information

8	Name of related party	Relationship to you	Related party's identifying number
---	-----------------------	---------------------	------------------------------------

Address (no., street, and apt., room, or suite no., city or town, state, and ZIP code)

- 9 During this tax year (and before the date that is 2 years after the last transfer of property that was part of the exchange), did the related party sell or dispose of any part of the like-kind property received from you (or an intermediary) in the exchange? **Yes** **No**
- 10 During this tax year (and before the date that is 2 years after the last transfer of property that was part of the exchange), did you sell or dispose of any part of the like-kind property you received? **Yes** **No**

If both lines 9 and 10 are "No" and this is the year of the exchange, go to Part III. If both lines 9 and 10 are "No" and this is **not** the year of the exchange, stop here. If either line 9 or line 10 is "Yes," complete Part III and report on this year's tax return the deferred gain or (loss) from line 24 **unless** one of the exceptions on line 11 applies.

- 11 If one of the exceptions below applies to the disposition, check the applicable box:
- a The disposition was after the death of either of the related parties.
- b The disposition was an involuntary conversion, and the threat of conversion occurred after the exchange.
- c You can establish to the satisfaction of the IRS that neither the exchange nor the disposition had tax avoidance as one of its principal purposes. If this box is checked, attach an explanation (see instructions).

Name(s) shown on tax return. Do not enter name and social security number if shown on other side.

Your social security number

Part III Realized Gain or (Loss), Recognized Gain, and Basis of Like-Kind Property Received

Caution: If you transferred **and** received (a) more than one group of like-kind properties or (b) cash or other (not like-kind) property, see **Reporting of multi-asset exchanges** in the instructions.

Note: Complete lines 12 through 14 **only** if you gave up property that was not like-kind. Otherwise, go to line 15.

12	Fair market value (FMV) of other property given up	12			
13	Adjusted basis of other property given up	13			
14	Gain or (loss) recognized on other property given up. Subtract line 13 from line 12. Report the gain or (loss) in the same manner as if the exchange had been a sale	14			
	Caution: If the property given up was used previously or partly as a home, see Property used as home in the instructions.				
15	Cash received, FMV of other property received, plus net liabilities assumed by other party, reduced (but not below zero) by any exchange expenses you incurred (see instructions)	15			
16	FMV of like-kind property you received	16			
17	Add lines 15 and 16	17			
18	Adjusted basis of like-kind property you gave up, net amounts paid to other party, plus any exchange expenses not used on line 15 (see instructions)	18			
19	Realized gain or (loss). Subtract line 18 from line 17	19			
20	Enter the smaller of line 15 or line 19, but not less than zero	20			
21	Ordinary income under recapture rules. Enter here and on Form 4797, line 16 (see instructions)	21			
22	Subtract line 21 from line 20. If zero or less, enter -0-. If more than zero, enter here and on Schedule D or Form 4797, unless the installment method applies (see instructions)	22			
23	Recognized gain. Add lines 21 and 22	23			
24	Deferred gain or (loss). Subtract line 23 from line 19. If a related party exchange, see instructions	24			
25	Basis of like-kind property received. Subtract line 15 from the sum of lines 18 and 23	25			

Part IV Deferral of Gain From Section 1043 Conflict-of-Interest Sales

Note: This part is to be used **only** by officers or employees of the executive branch of the Federal Government or judicial officers of the Federal Government (including certain spouses, minor or dependent children, and trustees as described in section 1043) for reporting nonrecognition of gain under section 1043 on the sale of property to comply with the conflict-of-interest requirements. This part can be used **only** if the cost of the replacement property is more than the basis of the divested property.

26	Enter the number from the upper right corner of your certificate of divestiture. (Do not attach a copy of your certificate. Keep the certificate with your records.)				
27	Description of divested property ▶ _____				
28	Description of replacement property ▶ _____				
29	Date divested property was sold (month, day, year)	29			MM/DD/YYYY
30	Sales price of divested property (see instructions).	30			
31	Basis of divested property	31			
32	Realized gain. Subtract line 31 from line 30	32			
33	Cost of replacement property purchased within 60 days after date of sale	33			
34	Subtract line 33 from line 30. If zero or less, enter -0-	34			
35	Ordinary income under recapture rules. Enter here and on Form 4797, line 10 (see instructions)	35			
36	Subtract line 35 from line 34. If zero or less, enter -0-. If more than zero, enter here and on Schedule D or Form 4797 (see instructions)	36			
37	Deferred gain. Subtract the sum of lines 35 and 36 from line 32	37			
38	Basis of replacement property. Subtract line 37 from line 33	38			