

## Personal Property Exemptions

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### Purpose:

The legislature responded to requests from taxpayers and the accounting profession to attempt to minimize recordkeeping on property which is expensed and not tracked on fixed asset schedules. HB77 in 2008 created two provisions to attempt to reduce the time and expense related to assets with an acquisition cost of \$1,000.00 or less. Salt Lake County is implementing this exemption by creating specific classes of property beginning with the letter "E". These classes will have a "0" percent good instead of a minimum residual value.

The exemption criteria include a definition of an "Item" in Administrative Rule 884-24P-33:

*(d) For purposes of Sections 59-2-108 and 59-2-1115, "item of taxable tangible personal property" means a piece of equipment, machinery, furniture, or other piece of tangible personal property that is functioning at its highest and best use for the purpose it was designed and constructed and is generally capable of performing that function without being combined with other items of personal property. An item of taxable tangible personal property is not an individual component part of a piece of machinery or equipment, but the piece of machinery or equipment. For example, a fully functioning computer is an item of taxable tangible personal property, but the motherboard, hard drive, tower, or sound card are not.*

Property must meet the above definition in order to be classed in either of the exemptions listed below.

### **Class 28 – Non-Capitalized Personal Property (Taxpayer Option)**

This class of property is available as an option to taxpayers. Once property has been placed in this class, it cannot be removed, except at the end of the schedule when the value will be exempt.

#### **Qualifications:**

Acquisition cost must be \$1,000.00 or less per item, and the items must be expensed for IRS purposes in the year of acquisition. Prior acquisitions (older than one year) may be moved to Class 28 if they meet all of the criteria.

Once an election has been made to place property in Class 28, the value of the property may not be removed from the tax rolls until it reaches the residual value and is exempt under the exemption criteria.

This election is final; property cannot be moved back to another class or removed from the tax rolls, even if it is disposed of at a later date.

Property values in Class 28 may not be appealed to the County Board of Equalization.

## **\$1,000.00 Acquisition Cost Exemption**

This exemption only applies to property having an acquisition cost of \$1,000.00 or less. It does NOT apply to all property in the affected classes.

For all classes of personal property, including Class 28 above, an exemption from taxation has been provided for older property. For any class of personal property, if the percent good factor in any year is 15% or less, then the percent good will change to "0", and the property will not be taxed in that year and into the future.

For 2013, the classes of property that will be affected are:

Class 1	Short Life Property	Class 2	Computer Integrated Machinery
Class 5	Long Life Trade Fixtures	Class 7	Medical and Dental Equipment
Class 8	Machinery and Equipment	Class 12	Computer Hardware
Class 13	Heavy Equipment	Class 15	Semiconductor Mfg Equipment
Class 16	Long Life Property		
Class 20	Petroleum and Natural Gas Exploration/Production Equipment		
Class 21	Commercial Trailers	Class 25	Aircraft Manufacturing Tools and Dies

In order to facilitate the exemption, Salt Lake County has created classes that mirror the percent good rates in the above classes, with the exception of the years where the percent good is 15% or less. Each of these classes starts with the letter "E". Only property with an acquisition cost of \$1,000.00 or less may be placed in these classes.

Salt Lake County does not maintain a detailed list of property in the personal property data base. We have also encouraged taxpayers to summarize property by class and year on the Schedule A. Therefore, we do not have the detail level available to automatically grant this exemption for you on the existing property in our database

In order to take advantage of the exemption for property that was reported to us in prior years, you will need to dispose of that property out of its current class, then add it to the appropriate exempt class designation, but provide sufficient detail to document the \$1,000.00 or less acquisition cost per item. You may report multiple items on one line as long as it is clear that the individual cost is \$1,000.00 or less.

For newly acquired property that meets the exemption criteria, please report this property in sufficient detail in the appropriate exempt class. You may attach a separate schedule or explanation detailing the property that qualifies for the exemption.