Personal Property Audit Seminar Manual

April 2010

North Carolina Department of Revenue
Property Tax Division

Section 1

Introduction

Section 1 -- Introduction

Auditing

As we begin our discussion of auditing, we should first define the topic. An audit, for purposes of this manual, is a systematic and methodical examination of records with the intent to verify their accuracy. There are guidelines which accountants follow in maintaining financial records for businesses. These guidelines are referred to as the Generally Accepted Accounting Principles (GAAP) and are established by the Financial Accounting Standard Board (FASB). The guidelines and principles are used by accountants to maintain accounting records such as the general ledger, balance sheet, and income statement. We will discuss each of these as we go through this course.

Audits are conducted for many different reasons. Accountants conduct audits to verify the records of a business to be sure the financial position of the business is reported accurately. Certain government agencies audit businesses for tax compliance. An auditor for property tax purposes should remember that accountants usually consider the income tax consequences first. The income tax consequences control the decisions of the accountant and therefore the records of the business. The property tax liability is second or even third in the process. The rules of GAAP and the practices of accountants in accounting for fixed assets cause the auditing and discovery of these assets to be problematic for the property tax auditor.

This seminar is designed to:

1. Familiarize appraisers with accounting/auditing terminology.
2. Introduce the personal property appraiser and auditor to basic accounting records.
3. Introduce GAAP Concepts.
4. Provide an understanding of basic accounting as it relates to fixed assets.
5. Provide a hands on example of a formal audit.
6. Practice face to face communication during the audit procedure.

Why Audit?

First and foremost, it is a requirement of the North Carolina General Statutes. Under the provisions of N.C.G.S. 105-296(a) the assessor is charged with the responsibility to list and appraise all property located in his/her jurisdiction. The assessor cannot be certain that the property of business taxpayers is being listed properly unless the county has an audit program. Without an audit program, a county's assessment of personal property becomes a self-assessment system full of injustices and inequities. Auditing by the assessor's office is used to ensure that personal property returns are filed accurately. Other reasons to audit are:

1. To ensure that the tax burden is distributed in a fair and equitable fashion. In short, it is a way to be sure that all taxpayers pay their fair share but no more than they are required to pay by law.

2. To encourage compliance by taxpayers. The audit process can be used to ensure that all business owners file a correct listing return. The audit process can be an educational tool to educate property owners on how to file a correct business personal property return. Educating taxpayers as to reporting standards can eliminate many "gray" areas of Property Taxation.

3. To discover unlisted and under listed personal property. An audit program allows the assessor the opportunity to find and discover property which has not been listed or taxed. An audit program can be a large revenue source, but revenue should not be the driving force behind an audit program. However, the potential of extra revenue is the tool often times used to sell an audit program to the local governing boards.

4. Establishes the County Tax office as a professionally operated agency. An audit program also lets the taxpayer know that you are there, and it also gives taxpayers a good contact person in the county office.

Funding

Every county should have some type of audit program in place. The size and type of audit program will vary from county to county. The level of funding for the audit program will depend on the level of audit and the extent of the program. In jurisdictions where no "out of jurisdiction" audits will be conducted, little if any additional funding will be needed. You should only have to justify a budget for the first year. The additional revenue generated by an effective audit program will more than support the program from that point on.

Personnel

The educational requirements of an auditor are similar to those of a business personal property appraiser. The auditor should have a solid background in accounting or business administration. At a minimum, each person employed as an auditor should have the following 5 basic courses in accounting:

Fundamentals of Accounting (Principles 2)
Auditing
Cost Accounting
Federal Income Taxes

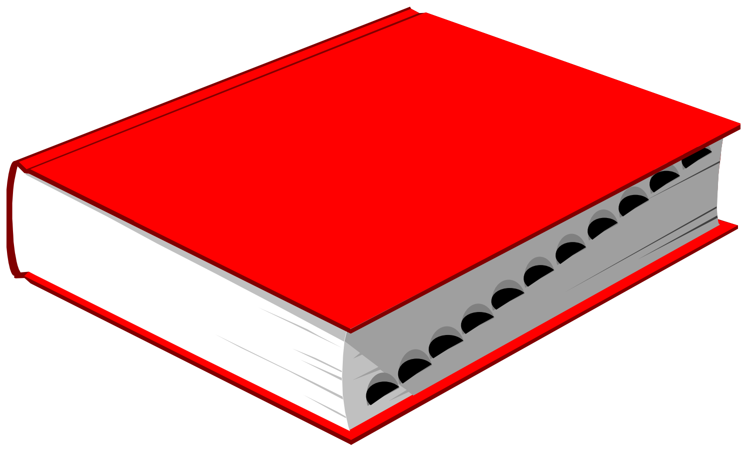
The size of the jurisdiction and a desire to have a good auditing program will probably help determine minimum education requirements for each auditor position. We have found that many community colleges offer enough basic accounting to prepare a business property appraiser to conduct audits. The basic knowledge in accounting should be supplemented with courses in economics and business administration.

Another area in which the auditor should be prepared is in the ability to communicate both verbally and in writing. In dealing with business taxpayers, we frequently encounter situations where we have to negotiate with corporate controllers, CPA's, and other corporate officers. Successful interaction with these business professionals requires that the auditor maintain similar professional characteristics. Effective communication becomes the cornerstone of this needed professionalism.

Employment of Experts

Since the mid 1980's, the use of contractors to assist counties in auditing business taxpayers has dramatically increased. Most of these firms operate on a contingency basis, however, the service is also available on an hourly rate. Counties and municipalities employing outside audit services should not discontinue using county personnel to conduct audits. Counties may also use the services of local tax practitioners to conduct audits. The most important issue is to audit. The personnel doing the audit can be determined based on need.

Section 2



Definitions

Section 2 -- Definitions

GLOSSARY OF TERMS

Absorption costing - A system of product costing in which all costs of production, whether variable or fixed are classed as product costs and identified with the full cost of inventory.

Accumulated depreciation - The sum of all depreciation previously deducted from the historical cost of an asset.

Accrual basis - An accounting method which records all income earned and expenses incurred as of the initial commitment, regardless of whether actual payment has occurred. (See "Cash Basis.")

Account - A record of a particular type of transaction expressed in money and kept in the books of original entry.

Accounting - The act of recording, classifying, and summarizing information in a form so that the results can be analyzed.

Accounts Payable - A current liability which represents an amount a business owes on an open account or short term credit.

Accounts Receivable - An amount owed to an individual or business by a customer or other party on a short term basis.

Accounting Records - The formal journals and ledgers, voucher, invoices, correspondences, contracts, and other sources or support for such records.

Ad valorem - Latin meaning "according to value," in common usage an ad valorem tax is a tax levied on property in proportion to the value of the property.

Amortization - The write-off over a period of time of the cost or value of an asset. Since an intangible asset does not depreciate or deplete, the write-off cost is referred to as amortization.

Appraisal - The act of estimating the value of property. An estimate or opinion of value.

Asset - Property or rights owned by an individual or business which has value.

Audit - An examination of data or materials with the intent to verify the accuracy of reports or statements or to obtain complete information necessary to form an opinion as in an appraisal.

Balance sheet - A financial statement as of a specific date detailing the financial condition of a business enterprise, showing assets, liabilities, and capital.

Book of original entry - A journal in which business transactions are first recorded and from which ledger entries are made. (See "Journal.")

Book value - An accounting "value". Usually the undepreciated balance of the historical or original cost of an asset. "Book value" usually reflects an accommodation with income tax regulations, is characterized by frequently-accelerated depreciation, usually does not reflect inflation or appreciation, and rarely bears any resemblance to fair market value.

Business Personal Property - Personal property associated with a business or used in connection with the production of income.

Capital - On the balance sheet or statement of condition, the owners' or stockholders' share of a business enterprise; it is the mathematical difference between assets and liabilities, and will usually be itemized as capital stock, surplus, and undivided profits "Undivided profits" may be labeled as "undistributed earnings", "retained earnings", or "owners' equity."

Capital Cost - The cost of improvements made to an asset which extends the useful life of the property and /or adds value. Usually for more than one accounting period.

Capital Expenditures - Outlays of cash or other assets in order to acquire fixed assets.

Capitalization Threshold - An established amount by a company whereby assets purchased costing less than this amount are expensed.

Cash basis - An accounting method which records no transactions until such time as the actual cash receipt or disbursement has taken place. (See "accrual Basis.")

Chart of Accounts - A list of all the accounts of a business denoted with a unique number for each account and a title.

Chattels - An article of personal or movable property, as distinguished from real property; furniture, automobiles, livestock, farm equipment, boats, etc., are chattels.

CIP (Construction in Progress) - An asset that is being constructed but has not been completed or placed in service. Can be real or personal property.

Consolidated accounting report - A financial statement that combines the income statement and/or balance sheet of a parent company with one or more of its subsidiaries.

Contra Account - One, two, or more accounts which partially or wholly offset other accounts on financial statements; these may either be merged or appear together.

Corporation - An artificial legal entity, chartered by the State to engage in business, and having legal powers, rights, privileges, and liabilities distinct from those of its owners and officers as individuals.

Cost - The amount of consideration exchanged for the acquisition of an asset or group of assets.

Cost - capitalized - An accounting term expressing the total consideration expended necessary to acquire asset(s) and includes invoice cost, trade-in allowances, sales tax, freight, installation, and construction period interest.

Cost - historical - Original cost new.

Cost - installed - Capitalized cost and other cost necessary to achieve normal utility of assets within an operating unit, but does not include maintenance or other operating expense. It should include repairs that extend the life of the asset.

Cost - replacement - The cost to replace a property with something comparable and similar having equivalent utility.

Cost - reproduction - The cost of reproducing a new replica of property on the basis of current prices with the same or closely similar material and one having equivalent utility.

Current assets - Cash and other short-term assets that will be converted into cash within the current operating cycle -- usually one year.

Current liabilities - Usually short-term debt -- obligations falling due within a year or less.

Date of Acquisition - The effective purchase date of an asset. From the date of acquisition, the asset must appear in the accounts and in financial statements and depreciation, if any, must be recorded.

Debit - An accounting entry or posting recording the creation of or addition of an asset or an expense, or the reduction or elimination of a liability, credit valuation account or item of net worth or revenue.

Depreciation in appraising - A decrease in the upper limit of value due to physical wear and tear, functional obsolescence, and/or economic obsolescence. A loss in value from all causes.

Depreciation - accounting - The amount of annual expense taken as a reduction of income necessary to recapture the cost of an asset and does not represent actual losses in value.

Direct labor - Labor employed directly in converting raw material into finished goods.

Earnings - A general term embracing revenue, profit or net income.

Earning Statement - Income (profit and loss) statement.

Economic obsolescence - Loss in remaining value due to reasons external to the property.

Entity - That which is determined to exist as a separate and complete within itself. This term is used by accountants to describe a corporation as being a legal entity which is a result of state and federal law.

Expendable - This term is used to describe supplies which are used up or consumed during the course of operating the business. Office supplies are expendable supplies.

Expense - A cost that can normally be written off against income in the current period.

Fair market value - The price estimated in terms of money at which the property would change hands between a willing and financially able buyer and a willing seller, neither being under any compulsion to buy or to sell and both having reasonable knowledge of all the uses to which the property is adapted and for which it is capable of being used.

Financial statements - Any written presentation of financial data, including a balance sheet, statement of condition, profit and loss statement, income statement, etc.

Finished goods - Goods having been converted from raw materials into the form in which they will be used or sold.

Fiscal year - A period between annual settlements of financial accounts for presentation; it may or may not coincide with the calendar year. Usually it consists of a twelve month period, but could be less than twelve months.

Fixed assets - Permanent-type assets with an economic life of more than one year, e.g., real estate improvements, manufacturing equipment, motor vehicles.

Fixed liability - Long term (over one year's duration) debts.

Functional obsolescence - A reduction in functional capacity or efficiency -- caused by factors inherent in the property itself.

GAAP - Generally accepted accounting principles.

General journal - The book where first entry for all transactions of a business enterprise are summarized.

General Ledger - A type of record which a given property could be registered on and shown to produce the maximum return based on the life of the property.

Going concern - A concept assuming the continuation of an entity long enough to experience the revenues generated by the assets suspended in the accounts.

Going concern value - The value of a property arrived at by considering the value in place, in use assuming its present use is its highest and best and assuming a transaction between a willing seller and a willing buyer whereby the buyer would continue to operate the property at its present location.

Goodwill - The excess of the consideration paid for a business as a whole over the book value of all the tangible net assets purchased; the excess of value over cost.

Hardware - The physical equipment of a computer system

Historical Cost - The original cost of an item when first purchased; generally "historical" and "original" costs are terms used interchangeably in appraising personal property, however, a distinction may be drawn between historical cost as being the first cost of an item at the time it was first sold, and original cost as being the first cost to the present owner.

Income statement - See "Profit and Loss Statement."

Journal - A book in which business transactions are first recorded. (See "Book of Original Entry.")

Journal entry - The first recording of a business transaction.

Leasehold improvements - Real estate improvements to leased property contracted for, installed, and paid for by the lessee; and which may well remain with the real estate, thereby becoming an integral part of the leased fee real estate upon expiration or termination of the current lease, but which are the property of, and should be charged to the current lessee who installs same. (Examples: lavatories installed by the lessee in a barber shop, special lighting, interior trim such as floors, wall-covering, dropped ceiling, built-ins, etc.; as installed by lessee to an unfinished-on-the-interior "four walls and a roof" type leased building.)

Ledger - A book of final entry, in which journal entries are summarized. (See "General Ledger.")

Lessee - One not owning property, who makes periodic payments for the right to use or enjoy the property; e.g., a tenant.

Lessor - The party owning the property, who allows another to take possession, use and/or enjoy the property in return for which he receives periodic payments, and retains full title to the property; e.g., a landlord.

Liability - An amount owed by one party to another, or the representation of such obligation.

Liquidation value - The price which the individual assets of an operating unit or non-operating unit would bring if disassembled, moved from its present location and sold on the open market. Liquidation value should not be used in the going concern concept or in-place in-use concept unless adjustments are made to account for the various value additives necessary to achieve utility of the property in- place, in-use.

Mortgagee - The lender, the one making the loan and advancing funds to mortgage property.

Mortgagor - The borrower, the one who pledges security (gives a mortgage on property) in return for borrowed funds.

Partnership - A merger of two or more individuals, based on an agreement to combine their labor and resources in a business enterprise and to share profits and losses accordingly.

Personal property - All tangible property other than real estate. Generally includes movable items, that is, those not permanently attached or affixed to the real estate. In determining whether an item is personal or real, one should considere the manner in which it is affixed to the real property as well as the intention of the owner with regard to the removal of the asset at the end of a lease period. Also, the purpose for which the property is used such as an industrial plant. If the item can be removed without serious injury to the building or to the item itself, then it could safely be termed as tangible personal property.

Also classified as personal property, but more commonly known as intangible personal property. Intangible personal property may represent tremendous value, however it is usually not subject to physical measurements. Examples of this type of asset are money, stocks and bonds, goodwill, patents, copyrights, trademarks, etc.

Prepaid expenses - Expenditures that will benefit future periods, they are classed as current assets since they will be converted to cash in the next period or if not paid for in advance would require the disbursement of cash in the next period. In the appraisal of personal property, prepaid expenses normally are those miscellaneous office supplies, store, advertising or shipping supplies which will most likely be consumed within the time frame of an accounting period, and which are not classified as, nor included with, normal business inventories.

Profit and loss statement - A financial statement showing income and expenses for a business for an accounting period, and the profit or loss resulting from the related activity.

Physical deterioration - Loss in value due to physical wear and tear. (See Section 5 on depreciation.)

Raw materials - Goods to be used as component parts of finished goods.

Real estate - The land and appurtenances, including all things not movable in nature and more or less permanently affixed to the land.

Real property - The "bundle of rights" that go with physical ownership of real estate, including the interests, benefits, and rights inherent in same.

Receivable - An amount that is owed to an entity.

Replacement cost - The cost new today to purchase property of like utility as the equipment to be replaced, assuming no physical deterioration and economic obsolescence neither greater nor lesser than the subject property.

Reproduction cost - The cost new today to reproduce, or reconstruct, an exact duplicate or replica of the subject property, containing the same degree of obsolescence.

Residual value - In appraising personal property, a minimum value -- below which no further depreciation is allowed so long as the property is either still in use or capable of use. The residual value is expressed in most cases as a percentage of cost. Residual values should reflect the remaining fair market value.

In manufacturing or production machinery and equipment, the residual fair market value, utilizing a going concern concept, will reflect not only the value of an individual item as may be reflected by the used equipment market, but also the value added for freight, taxes and installation.

Retained earnings - The cumulative undistributed profits of a business enterprise, presented in the capital section of the balance sheet, and also known as undivided profits or undistributed earnings.

Reversionary value - The remaining market value of a property at the time it comes off lease and reverts to the lessor. In applying the income capitalization technique, the value of the reversion must usually be estimated.

S Corporation – Company where the number of shareholders is limited to 35. The "Year End" is usually December 31. Only one class of stock is issued. The corporation pays no federal income tax, it is passed on the stockholders.

Salvage value - The remaining value of a piece of property (usually equipment) when it no longer is capable of performing the function or serving the purpose for which it was intended. It is the value of the component parts which may be retained for recycling, reprocessing, or which may be combined with salvageable parts from other comparable property to rebuild a similar piece of property.

Scrap value - See "Salvage Value" above.

Selling value - The value arrived at through a negotiation process which usually involves consideration for items other than tangible assets such as goodwill, debts, financing, receivables, income tax considerations, cash flow positions, stockholder considerations, etc.

Software - Computer programs and routines that facilitate the programming and operation of a computer.

Sole proprietorship - A business owned entirely by one individual.

Special journals - Journals used to record only transactions of a certain kind, e.g., sales journal, purchase journal, cash journal.

Standard cost - A predetermined cost per unit based on actual experience and management objectives.

Statement of condition - See "Balance Sheet." Also known as "Report of Condition."

Subsidiary ledger - A supporting ledger, containing a summary of similar accounts, the total of which supports a controlling account in the general ledger.

Surplus - One of the capital accounts on the balance sheet, representing the cumulative difference between total par value of issued stock and actual value received.

Trending/Indexing - In appraising it is the process of applying percentage adjustments to historical cost data to arrive at a cost to reproduce property and which becomes the basis for depreciation -- (appreciation factor - inflation factor).

Trial Balance - This is a two column schedule where you list the balances for each account and see that they balance to the total for all accounts. In accounting terms, the debits should be equal to the credits.

Turnover – The number of times in an accounting period (a year) that the average inventory is sold. (Gross sales divided by the turnover ratio equals the average inventory.)

Usufruct - The right to use, enjoy, and benefit from property belonging to another.

Value in exchange - The value of goods, services, or purchasing power which a knowledgeable buyer could reasonably be expected to offer in exchange for property in an arms length transaction.

Value in use - The value of property to its owner or the one who enjoys its use, based on its utility and productivity to that particular person.

Vendee - The person to whom a thing is sold; a buyer.

Vendor - One who sells; a seller.

Work in process - Raw materials which have been partially processed or acted upon, but which are not yet completely converted to the finished product or finished goods; goods in the process of being converted from raw materials to finished goods.

Section 3

N.C. Legal Requirements

Section 3 -- N.C. Legal Requirements

The following are some of the North Carolina General Statutes which apply to the listing, appraising, assessing and collection of taxes on business personal property.

DATE PERSONAL PROPERTY IS TO BE LISTED AND APPRAISED

§ 105-285. Date as of which property is to be listed and appraised.

(a) Annual Listing Required. – All property subject to ad valorem taxation shall be listed annually.

(b) Personal Property; General Rule. – Except as otherwise provided in this Chapter, the value, ownership, and place of taxation of personal property, both tangible and intangible, shall be determined annually as of January 1.

(c) Repealed by Session Laws 1987, c. 813, s. 12.

(d) Real Property. – The value of real property shall be determined as of January 1 of the years prescribed by G.S. 105-286 and G.S. 105-287. The ownership of real property shall be determined annually as of January 1, except in the following situation: When any real property is acquired after January 1, but prior to July 1, and the property was not subject to taxation on January 1 on account of its exempt status, it shall be listed for taxation by the transferee as of the date of acquisition and shall be appraised in accordance with its true value as of January 1 preceding the date of acquisition; and the property shall be taxed for the fiscal year of the taxing unit beginning on July 1 of the year in which it is acquired. The person in whose name such property is listed shall have the right to appeal the listing, appraisal, and assessment of the property in the same manner as that provided for listings made as of January 1.

In the event real property exempt as of January 1 is, prior to July 1, acquired from a governmental unit that by contract is making payments in lieu of taxes to the taxing unit for the fiscal period beginning July 1 of the year in which the property is acquired, the tax on such property for the fiscal period beginning on July 1 immediately following acquisition shall be one half of the amount of the tax that would have been imposed if the property had been listed for taxation as of January 1.

NAME IN WHICH PERSONAL PROPERTY IS TO BE LISTED

§ 105-306. In whose name personal property is to be listed.

(a) Taxable personal property shall be listed in the name of the owner on the day as of which property is to be listed for taxation, and it shall be the duty of the owner to list the property.

(b) If personal property is listed in the name of a person other than the one in whose name it should be listed, and the name of the proper person is later ascertained, the abstract and tax records shall be corrected to list the property in the name in which it should have been listed. The corrected listing shall have the same force and effect as if the personal property had been listed in the name of the proper person in the first instance.

(c) For purposes of this Subchapter:

(1) The owner of the equity of redemption in personal property subject to a chattel mortgage shall be considered the owner of the property.

(2) The vendee of personal property under a conditional bill of sale, or under any other sale contract through which title to the property is retained by the vender as security for the payment of the purchase price, shall be considered the owner of the property if he has possession of or the right to use the property.

(3) Personal property owned by a corporation, partnership, or unincorporated association shall be listed in the name of the corporation, partnership, or unincorporated association.

(4) Personal property held in connection with a sole proprietorship shall be listed in the name of the owner, and the name and address of the proprietorship shall be noted on the abstract.

(5) Personal property of which a decedent died possessed, if not under the control of an executor or administrator, shall be listed in the names of the next of kin or legatees if known, but such property may be listed as property of "the next of kin" or "the legatees" of the decedent, without naming them, until they have given the assessor notice of their names and of the division of the estate. It shall be the duty of an executor or administrator having control of personal property to list it in his fiduciary capacity, as required by subdivision (c)(6), below, until he is divested of control of the property.

(6) Personal property, the title to which is held by a trustee, guardian, or other fiduciary, shall be listed by the fiduciary in his fiduciary capacity except as otherwise provided in this section.

(7) If personal property is owned by two or more persons who are joint owners, each owner shall list the value of his interest. However, if the joint owners are husband and wife, the property owned jointly shall be listed on a single abstract in the names of both the husband and the wife.

(8) If the person in whose name personal property should be listed is unknown, or if the ownership of the property is in dispute, the property shall be listed in the name of the person in possession of the property, or if there appears to be no person in possession, in the name of "unknown owner." When the name of the owner is later ascertained, the provisions of subsection (b), above, shall apply.

(9) Personal property, owned under a time-sharing arrangement but managed by a homeowners association or other managing entity, shall be listed in the name of managing entity.

LISTING FUNCTION

§ 105-307. Length of listing period; extension; preliminary work.

(a) Listing Period. – Unless extended as provided in this section, the period during which property is to be listed for taxation each year begins on the first business day of January and ends on January 31.
(b) General Extensions. – The board of county commissioners may, extend the time during which property is to be listed for taxation as provided in this subsection. Any action by the board of county commissioners extending the listing period must be recorded in the minutes of the board, and notice of the extensions must be published as required by G.S. 105-296(c). The entire period for listing, including any extension of time granted, is considered the regular listing period for the particular year within the meaning of this Subchapter.

- (1) In nonrevaluation years, the listing period may be extended for up to 30 additional days.
- (2) In years of octennial appraisal of real property, the listing period may be extended for up to 60 additional days.
- (3) If the county has provided for electronic listing of business personal property under G.S. 105-304, the period for electronic listing may be extended up to June 1.

(c) Individual Extensions. – The board of county commissioners shall grant individual extensions of time for the listing of real and personal property upon written request and for good cause shown. The request must be filed with the assessor no later than the ending date of the regular listing period. The board may delegate the authority to grant extensions to the assessor. Extensions granted under this subsection shall not extend beyond April 15. If the county has provided for electronic listing of business personal property under G.S. 105-304, the period for electronic listing is as provided in subsection (b) of this section.
(d) Preliminary Work. – The assessor may conduct preparatory work before the listing period begins, but he may not make a final appraisal of property before the day as of which the value of the property is to be determined under G.S. 105-285."

§ 105-308. Duty to list; penalty for failure.

Every person in whose name any property is to be listed under the terms of this Subchapter shall list the property with the assessor within the time allowed by law on an abstract setting forth the information required by this Subchapter.

In addition to all other penalties prescribed by law, any person whose duty it is to list any property who willfully fails or refuses to list the same within the time prescribed by law shall be guilty of a Class 2 misdemeanor. The failure to list shall be prima facie evidence that the failure was willful.

Any person who willfully attempts, or who willfully aids or abets any person to attempt, in any manner to evade or defeat the taxes imposed under this Subchapter, whether by removal or concealment of property or otherwise, shall be guilty of a Class 2 misdemeanor.

§ 105-309. What the abstract shall contain.

(a) Each person whose duty it is to list property for taxation shall file each year with the assessor a tax list or abstract showing, as of the date prescribed by G.S. 105-285(b), the information required by this section. Subject to the provisions of subdivisions (a)(1) and (a)(2), below, each person whose duty it is to list property for taxation shall file a separate abstract.

(1) Tenants by the entirety shall file a single abstract listing the real property so held, together with all personal property they own jointly.

(2) Tenants in common shall file a single abstract listing the real property so held, together with all personal property that they own jointly, unless, as provided in G.S. 105-302(c)(9), the assessor allows them to list their undivided interests in the real property on separate abstracts.

(b) Each abstract shall show the taxpayer's name; residence address; and, if required by the assessor, business address.

(1) An individual trading under a firm name shall show his name and address and also the name and address of his business firm.

(2) An unincorporated association shall show both the name and address of the association and the names and addresses of its principal officers.

(3) A partnership shall show both the name and address of the partnership and the names and addresses of its full partners.

(c) Each tract, parcel, or lot of real property owned or controlled in the county shall be listed in accordance with the following instructions:

(1) Real property not divided into lots shall be described by giving:

a. The township in which located.

b. The total number of acres in the tract, or, if smaller than one acre, the dimensions of the parcel.

c. The tract name (if any), the names of at least two adjoining landowners, a reference to the tract's designation on any map maintained in the office of the assessor or on file in the office of the register of deeds, or some other description sufficient to identify and locate the property by parol testimony.

d. If applicable, the number of acres of:

1. Cleared land;
2. Woods and timberland;
3. Land containing mineral or quarry deposits;
4. Land susceptible of development for waterpower;
5. Wasteland.

e. The portion of the tract or parcel located within the boundaries of any municipality.

(2) Real property divided into lots shall be described by giving:

a. The township in which located.

b. The dimensions of the lot.

c. The location of the lot, including its street number (if any).

d. The lot's designation on any map maintained in the office of the assessor or on file in the office of the register of deeds, or some description sufficient to identify and locate the property by parol testimony.

e. The portion of the lot located within the boundaries of any municipality.

(3) In conjunction with the listing of any real property under subdivisions (c)(1) and (c)(2), above, there shall be given a short description of any buildings and other improvements thereon that belong to the owner of the land.

(4) Buildings and other improvements having a value in excess of one hundred dollars ($100.00) that have been acquired, begun, erected, damaged, or destroyed since the time of the last appraisal of property shall be described.

(5) If some person other than the owner of a tract, parcel, or lot shall own any buildings or other improvements thereon or separate rights (such as mineral, quarry, timber, waterpower, or other rights) therein, that fact shall be specified on the abstract on which the land is listed, together with the name and address of the owner of the buildings, other improvements, or rights.

a. Buildings, other improvements, and separate rights owned by a taxpayer with respect to the lands of another shall be listed separately and identified so as to indicate the name of the owner thereof and the tract, parcel, or lot on which the buildings or other improvements are situated or to which the separate rights appertain.

b. In accordance with the provisions of G.S. 105-302(c)(11), buildings or other improvements or separate rights owned by a taxpayer with respect to the lands of another may be listed either in the name of the owner of the buildings, other improvements, or rights, or in the name of the owner of the land.

(d) Personal property shall be listed to indicate the township and municipality, if any, in which it is taxable and shall be itemized by the taxpayer in such detail as may be prescribed by an abstract form approved by the Department of Revenue. Personal property shall also be listed to indicate which property, if any, is subject to a tax credit under G.S. 105-151.21.

(1) If the assessor considers it necessary to obtain a complete listing of personal property, the assessor may require a taxpayer to submit additional information, inventories, or itemized lists of personal property.

(2) At the request of the assessor, the taxpayer shall furnish any information the taxpayer has with respect to the true value of the personal property the taxpayer is required to list.

(e) At the end of the abstract each person whose duty it is to list property for taxation shall sign the affirmation required by G.S. 105-310.

(f) (**Effective for taxes imposed for taxable years beginning before July1, 2009**)The notice set out below must appear on each abstract or on an information sheet distributed with the abstract. The abstract or sheet must include the address and telephone number of the assessor below the notice:

"PROPERTY TAX RELIEF FOR ELDERLY AND
PERMANENTLY DISABLED PERSONS."

North Carolina excludes from property taxes a portion of the appraised value of a permanent residence owned and occupied by North Carolina residents aged 65 or older or totally and permanently disabled whose income does not exceed (assessor insert amount). The amount of the appraised value of the residence that may be excluded from taxation is the greater of twenty thousand dollars ($20,000) or fifty percent (50%) of the appraised value of the residence. Income means the owner's adjusted gross income as determined for federal income tax purposes, plus all moneys received other than gifts or inheritances received from a spouse, lineal ancestor or lineal descendant.

If you received this exclusion in (assessor insert previous year), you do not need to apply again unless you have changed your permanent residence. If you received the exclusion in (assessor insert previous year) and your income in (assessor insert previous year) was above (assessor insert amount), you must notify the assessor. If you received the exclusion in (assessor insert previous year) because you were totally and permanently disabled and you are no longer totally and permanently disabled, you must notify the assessor. If the person receiving the exclusion in (assessor insert previous year) has died, the person required by law to list the property must notify the assessor. Failure to make any of the notices required by this paragraph before June 1 will result in penalties and interest.

If you did not receive the exclusion in (assessor insert previous year) but are now eligible, you may obtain a copy of an application from the assessor. It must be filed by June 1."

(f) **(Effective for taxes imposed for taxable years beginning on or after July 1, 2009)** The assessor must print a homestead tax relief notice on each abstract or on an information sheet distributed with the abstract. The abstract or sheet must include the address and telephone number of the assessor below the notice required by this section. The notice must be in the form required by the Department of Revenue designed to notify the taxpayer of his or her rights and responsibilities under the homestead property tax exclusion provided in G.S. 105-277.1 and the property tax homestead circuit breaker provided in G.S. 105-277.1B.

(g) Any person who fails to give the notice required by G.S. 105-309(f) shall not only be subject to loss of the exemption, but also to the penalties provided by G.S. 105-312, and also if willful to the penalty provided in G.S. 105-310. For the purpose of determining whether a penalty is levied, whenever a taxpayer has received an exemption under G.S. 105-277.1 for one taxable year but the property of taxpayer is not eligible for the exemption the next year, notice given of that fact to the assessor on or before April 15 shall be considered as timely filed

§ 105-310. Affirmation; penalty for false affirmation.

There shall be annexed to the abstract on which the taxpayer's property is listed the following affirmation, which shall be signed by an individual qualified under the provisions of G.S. 105-311:

Under penalties prescribed by law, I hereby affirm that to the best of my knowledge and belief this listing, including any accompanying statements, inventories, schedules, and other information, is true and complete. (If this affirmation is signed by an individual other than the taxpayer, he affirms that he is familiar with the extent and true value of all the taxpayer's property subject to taxation in this county and that his affirmation is based on all the information of which he has any knowledge.)

Any individual who willfully makes and subscribes an abstract listing required by this Subchapter which he does not believe to be true and correct as to every material matter shall be guilty of a Class 2 misdemeanor.

§ 105-311. Duty to appear for purposes of listing and signing affirmation; use of agents and mail.

(a) Except as otherwise provided in this section, the person whose duty it is to list property for taxation shall appear before the assessor for purposes of listing and shall sign the affirmation required by G.S. 105-310 to be annexed to the completed abstract on which the property is listed.

(1) In the case of an individual taxpayer who is unable to list his property, a guardian, authorized agent, or other person having knowledge of and charged with the care of the person and property of the taxpayer shall appear for purposes of listing and shall sign the required affirmation in the name of the taxpayer, noting thereon the capacity in which he signs.

(2) In the case of a corporation, partnership, or unincorporated association, a person specified in subdivision a or subdivision b, below, shall appear for purposes of listing the taxpayer's property and shall sign the required affirmation in the name of the taxpayer, noting thereon the capacity in which he signs, and no other agent shall be permitted to sign the affirmation required on such a taxpayer's abstract:

a. A principal officer of the taxpayer or

b. A full-time employee of the taxpayer who has been officially empowered by a principal officer of the taxpayer in his behalf to list the taxpayer's property for taxation in the county and to sign the affirmation annexed to the abstract or abstracts on which its property is listed.

(3) In the case of an individual who is not a resident of the county in which his property is to be listed, the taxpayer shall sign the affirmation required on the abstract on which his property is listed, but he may submit the completed abstract by mail or by an authorized agent.

"(b) Any abstract submitted by mail may be accepted or rejected by the assessor in the assessor's discretion. However, the board of county commissioners, with the approval of the Department of Revenue, may by resolution provide for the general acceptance of completed abstracts submitted by mail or submitted electronically. In no event shall an abstract submitted by mail be accepted unless the affirmation on the abstract is signed by the individual prescribed in subsection (a) of this section. An electronic listing may be signed electronically in accordance with the Electronic Commerce Act, Article 11A of Chapter 66 of the General Statutes.

For the purpose of this Subchapter, abstracts submitted by mail are considered filed as of the date shown on the postmark affixed by the United States Postal Service. If no date is shown on the postmark, or if the postmark is not affixed by the United States Postal Service, the abstract is considered filed when received in the office of the assessor. Abstracts submitted by electronic listing are considered filed when received in the office of the assessor. In any dispute arising under this Subchapter, the burden of proof is on the taxpayer to show that the abstract was timely filed."

DISCOVERY OF UNLISTED OR UNDERVALUED PROPERTY

§ 105-312. Discovered property; appraisal; penalty.

(a) Repealed by Session Laws 1991, c. 34, s. 4.

(b) Duty to Discover and Assess Unlisted Property. – It shall be the duty of the assessor to see that all property not properly listed during the regular listing period be listed, assessed and taxed as provided in this Subchapter. The assessor shall file reports of such discoveries with the board of commissioners in such manner as the board may require.

(c) Carrying Forward Real Property. – At the close of the regular listing period each year, the assessor shall compare the tax lists submitted during the listing period just ended with the lists for the preceding year, and he shall carry forward to the lists of the current year all real property that was listed in the preceding year but that was not listed for the current year. When carried forward, the real property shall be listed in the name of the taxpayer who listed it in the preceding year unless, under the provisions of G.S. 105-302, it must be listed in the name of another taxpayer. Real property carried forward in this manner shall be deemed to be discovered property, and the procedures prescribed in subsection (d), below, shall be followed unless the property discovered is listed in the name of the taxpayer who listed it for the preceding year and the property is not subject to appraisal under either G.S. 105-286 or G.S. 105-287 in which case no notice of the listing and valuation need be sent to the taxpayer.

(d) Procedure for Listing, Appraising, and Assessing Discovered Property. – Subject to the provisions of subsection (c), above, and the presumptions established by subsection (f), below, discovered property shall be listed by the assessor in the name of the person required by G.S. 105-302 or G.S. 105-306. The discovery shall be deemed to be made on the date that the abstract is made or corrected pursuant to subsection (e) of this section. The assessor shall also make a tentative appraisal of the discovered property in accordance with the best information available to him.

When a discovery is made, the assessor shall mail a notice to the person in whose name the discovered property has been listed. The notice shall contain the following information:

(1) The name and address of the person in whose name the property is listed;
(2) A brief description of the property;
(3) A tentative appraisal of the property;
(4) A statement to the effect that the listing and appraisal will become final unless written exception thereto is filed with the assessor within 30 days from date of the notice.

Upon receipt of a timely exception to the notice of discovery, the assessor shall arrange a conference with the taxpayer to afford him the opportunity to present any evidence or argument he may have regarding the discovery. Within 15 days after the conference, the assessor shall give written notice to the taxpayer of his final decision. Written notice shall not be required, however, if the taxpayer signs an agreement accepting the listing and appraisal. In cases in which agreement is not reached, the taxpayer shall have 15 days from the date of the notice to request review of the decision of the assessor by the board of equalization and review or, if that board is not in session, by the board of commissioners. Unless the request for review by the county board is given at the conference, it shall be made in writing to the assessor. Upon receipt of a timely request for review, the provisions of G.S. 105-322 or G.S. 105-325, as appropriate, shall be followed.

(e) Record of Discovered Property. – When property is discovered, the taxpayer's original abstract (if one was submitted) may be corrected or a new abstract may be prepared to reflect the discovery. If a new abstract is prepared, it may be filed with the abstracts that were submitted during the regular listing period, or it may be filed separately with abstracts designated "Late Listings." Regardless of how filed, the listing shall have the same force and effect as if it had been submitted during the regular listing period.

(f) Presumptions. – When property is discovered and listed to a taxpayer in any year, it shall be presumed that it should have been listed by the same taxpayer for the preceding five years unless the taxpayer shall produce satisfactory evidence that the property was not in existence, that it was actually listed for taxation, or that it was not his duty to list the property during those years or some of them under the provisions of G.S. 105-302 and G.S. 105-306. If it is shown that the property should have been listed by some other taxpayer during some or all of the preceding years, the property shall be listed in the name of the appropriate taxpayer for the proper years, but the discovery shall still be deemed to have been made as of the date that the assessor first listed it.

(g) Taxation of Discovered Property. – When property is discovered, it shall be taxed for the year in which discovered and for any of the preceding five years during which it escaped taxation in accordance with the assessed value it should have been assigned in each of the years for which it is to be taxed and the rate of tax imposed in each such year. The penalties prescribed by subsection (h) of this section shall be computed and imposed regardless of the name in which the discovered property is listed. If the discovery is based upon an understatement of value, quantity, or other measurement rather than an omission from the tax list, the tax shall be computed on the additional valuation fixed upon the property, and the penalties prescribed by subsection (h) of this section shall be computed on the basis of the additional tax.

(h) **(Effective for taxable years beginning on or after July 1, 2004)** Computation of Penalties. – Having computed each year's taxes separately as provided in subsection (g), above, there shall be added a penalty of ten percent (10%) of the amount of the tax for the earliest year in which the property was not listed, plus an additional ten percent (10%) of the same amount for each subsequent listing period that elapsed before the property was discovered. This penalty shall be computed separately for each year in which a failure to list occurred; and the year, the amount of the tax for that year, and the total of penalties for failure to list in that year shall be shown separately on the tax records; but the taxes and penalties for all years in which there was a failure to list shall be then totalled on a single tax receipt.

(h1) Repealed by Session Laws 1991, c. 624, s. 8.

(i) Collection. – For purposes of tax collection and foreclosure, the total figure obtained and recorded as provided in subsection (h) of this section shall be deemed to be a tax for the fiscal year beginning on July 1 of the calendar year in which the property was discovered. The schedule of discounts for prepayment and interest for late payment applicable to taxes for the fiscal year referred to in the preceding sentence shall apply when the total figure on the single tax receipt is paid. Notwithstanding the time limitations contained in G.S. 105-381, any property owner who is required to pay taxes on discovered property as herein provided shall be entitled to a refund of any taxes erroneously paid on the same property to other taxing jurisdictions in North Carolina. Claim for refund shall be filed in the county where such tax was erroneously paid as provided by G.S. 105-381.

(j) Tax Receipts Charged to Collector. – Tax receipts prepared as required by subsections (h) and (i) of this section for the taxes and penalties imposed upon discovered property shall be delivered to the tax collector, and he shall be charged with their collection. Such receipts shall have the same force and effect as if they had been delivered to the collector at the time of the delivery of the regular tax receipts for the current year, and the taxes charged in the receipts shall be a lien upon the property in accordance with the provisions of G.S. 105-355.

(k) Power to Compromise. – After a tax receipt computed and prepared as required by subsections (g) and (h) of this section has been delivered and charged to the tax collector as prescribed in subsection (j), above, the board of county commissioners, upon the petition of the taxpayer, may compromise, settle, or adjust the county's claim for taxes arising therefrom. The board of commissioners may, by resolution, delegate the authority granted by this subsection to the board of equalization and review, including any board created by resolution pursuant to G.S. 105-322(a) and any special board established by local act.

(l) Municipal Corporations. – The provisions of this section shall apply to all cities, towns, and other municipal corporations having the power to tax property. Such governmental units shall designate an appropriate municipal officer to exercise the powers and duties assigned by this section to the assessor, and the powers and duties assigned to the board of county commissioners shall be exercised by the governing body of the unit. When the assessor discovers property having a taxable situs in a municipal corporation, he shall send a copy of the notice of discovery required by subsection (d) to the governing body of the municipality together with such other information as may be necessary to enable the municipality to proceed. The governing board of a municipality may, by resolution, delegate the power to compromise, settle, or adjust tax claims granted by this subsection and by subsection (k) of this section to the county board of equalization and review, including any board created by resolution pursuant to G.S. 105-322(a) and any special board established by local act.

APPRAISAL AND VALUATION

§ 105-283. Uniform appraisal standards.

All property, real and personal, shall as far as practicable be appraised or valued at its true value in money. When used in this Subchapter, the words "true value" shall be interpreted as meaning market value, that is, the price estimated in terms of money at which the property would change hands between a willing and financially able buyer and a willing seller, neither being under any compulsion to buy or to sell and both having reasonable knowledge of all the uses to which the property is adapted and for which it is capable of being used. For the purposes of this section, the acquisition of an interest in land by an entity having the power of eminent domain with respect to the interest acquired shall not be considered competent evidence of the true value in money of comparable land

§ 105-284. Uniform assessment standard.

(a) Except as otherwise provided in this section, all property, real and personal, shall be assessed for taxation at its true value or use value as determined under G.S. 105-283 or G.S. 105-277.6, and taxes levied by all counties and municipalities shall be levied uniformly on assessments determined in accordance with this section.

§ 105-317.1. Appraisal of personal property; elements to be considered.

(a) Whenever any personal property is appraised it shall be the duty of the persons making appraisals to consider the following as to each item (or lot of similar items):

(1) The replacement cost of the property;

(2) The sale price of similar property;

(3) The age of the property;

(4) The physical condition of the property;

(5) The productivity of the property;

(6) The remaining life of the property;

(7) The effect of obsolescence on the property;

(8) The economic utility of the property, that is, its usability and adaptability for industrial, commercial, or other purposes; and

(9) Any other factor that may affect the value of the property.

(b) In determining the true value of taxable tangible personal property held and used in connection with the mercantile, manufacturing, producing, processing, or other business enterprise of any taxpayer, the persons making the appraisal shall consider any information as reflected by the taxpayer's records and as reported by the taxpayer to the North Carolina Department of Revenue and to the Internal Revenue Service for income tax purposes, taking into account the accuracy of the taxpayer's records, the taxpayer's method of accounting, and the level of trade at which the taxpayer does business.

(c) A taxpayer who owns personal property taxable in the county may appeal the value, situs, or taxability of the property within 30 days after the date of the initial notice of value. If the assessor does not give separate written notice of the value to the taxpayer at the taxpayer's last known address, then the tax bill serves as notice of the value of the personal property. The notice must contain a statement that the taxpayer may appeal the value, situs, or taxability of the property within 30 days after the date of the notice. Upon receipt of a timely appeal, the assessor must arrange a conference with the taxpayer to afford the taxpayer the opportunity to present any evidence or argument regarding the value, situs, or taxability of the property. Within 30 days after the conference, the assessor must give written notice to the taxpayer of the assessor's final decision. Written notice of the decision is not required if the taxpayer signs an agreement accepting the value, situs, or taxability of the property. If an agreement is not reached, the taxpayer has 30 days from the date of the notice of the assessor's final decision to request review of that decision by the board of equalization and review or, if that board is not in session, by the board of county commissioners. Unless the request for review is given at the conference, it must be made in writing to the assessor. Upon receipt of a timely request for review, the provisions of G.S. 105-322 or G.S. 105-325, as appropriate, must be followed. (1971, c. 806, s. 1; 1987, c. 813, s. 15; 2002-156, s. 2.)

§ 105-296. Powers and duties of assessor.

(a) The county assessor shall have general charge of the listing, appraisal, and assessment of all property in the county in accordance with the provisions of law. He shall perform the duties imposed upon him by law, and he shall have and exercise all powers reasonably necessary in the performance of his duties not inconsistent with the Constitution or the laws of this State.

(b) Within budgeted appropriations, he shall employ listers, appraisers, and clerical assistants necessary to carry out the listing, appraisal, assessing, and billing functions required by law. The assessor may allocate responsibility among such employees by territory, by subject matter, or on any other reasonable basis. Each person employed by the assessor as a real property appraiser or personal property appraiser shall during the first year of employment and at least every other year thereafter attend a course of instruction in his area of work. At the end of the first year of their employment, such persons shall also achieve a passing score on a comprehensive examination in property tax administration conducted by the Department of Revenue.

(c) At least 10 days before the date as of which property is to be listed, he shall advertise in a newspaper having general circulation in the county and post in at least five public places in each township in the county a notice containing at least the following:

(1) The date as of which property is to be listed.
(2) The date on which listing will begin.
(3) The date on which listing will end.
(4) The times between the date mentioned in subdivision (c)(2), above, and the date mentioned in subdivision (c)(3), above, during which lists will be accepted.
(5) The place or places at which lists will be accepted at the times established under subdivision (c)(4), above.
(6) A statement that all persons who, on the date as of which property is to be listed, own property subject to taxation must list such property within the period set forth in the notice and that any person who fails to do so will be subject to the penalties prescribed by law.

If the listing period is extended in any county by the board of county commissioners, the assessor shall advertise in the newspaper in which the original notice was published and post in the same places a notice of the extension and of the times during which and the place or places at which lists will be accepted during the extended period.

(d) through (f) Repealed by Session Laws 1987, c. 43, s. 2.

(g) He shall have power to subpoena any person for examination under oath and to subpoena documents whenever he has reasonable grounds for the belief that such person has knowledge or that such documents contain information that is pertinent to the discovery or valuation of any property subject to taxation in the county or that is necessary for compliance with the requirements as to what the tax list shall contain. The subpoena shall be signed by the chairman of the board of equalization and review if that board is in session; otherwise, it shall be signed by the chairman of the board of county commissioners. It shall be served by an officer qualified to serve subpoenas. Any person who shall wilfully fail or refuse to appear, produce subpoenaed documents, or testify concerning the subject of the inquiry shall be guilty of a Class 1 misdemeanor.

(h) Only after the abstract has been carefully reviewed can the assessor require any person operating a business enterprise in the county to submit a detailed inventory, statement of assets and liabilities, or other similar information pertinent to the discovery or appraisal of property taxable in the county. Inventories, statements of assets and liabilities, or other information secured by the assessor under the terms of this subsection, but not expressly required by this Subchapter to be shown on the abstract itself, shall not be open to public inspection but shall be made available, upon request, to representatives of the Department of Revenue or of the Employment Security Commission. Any assessor or other official or employee disclosing information so obtained, except as may be necessary in listing or appraising property in the performance of official duties, or in the administrative or judicial proceedings relating to listing, appraising, or other official duties, shall be guilty of a Class 3 misdemeanor and punishable only by a fine not exceeding fifty dollars ($50.00).

(i) Prior to the first meeting of the board of equalization and review, the assessor may, for good cause, change the appraisal of any property subject to assessment for the current year. Written notice of a change in assessment shall be given to the taxpayer at his last known address prior to the first meeting of the board of equalization and review.

(j) The assessor shall annually review one eighth of the parcels in the county classified for taxation at present-use value to verify that these parcels qualify for the classification. By this method, the assessor shall review the eligibility of all parcels classified for taxation at present-use value in an eight-year period. The assessor may require the owner of classified property to submit any information needed by the assessor to verify that the property continues to qualify for present-use value taxation. The owner has 60 days from the date a written request for the information is made to submit the information to the assessor. If the assessor determines the owner failed to make the information requested available in the time required without good cause, the property loses its present-use value classification and the property's deferred taxes become due and payable as provided in G.S. 105-277.4(c). The assessor must reinstate the property's present-use value classification when the owner submits the requested information unless the information discloses that the property no longer qualifies for present-use value classification. When a property's present-use value classification is reinstated, it is reinstated retroactive to the date the classification was revoked and any deferred taxes that were paid as a result of the revocation must be refunded to the property owner."

(k) He shall furnish information to the Department of Revenue as required by the Department to conduct studies in accordance with G.S. 105-289(h).

(l) The assessor shall annually review at least one-eighth of the parcels in the county exempted or excluded from taxation to verify that these parcels qualify for the exemption or exclusion. By this method, the assessor shall review the eligibility of all parcels exempted or excluded from taxation in an eight-year period. The assessor may require the owner of exempt or excluded property to make available for inspection any information reasonably needed by the assessor to verify that the property continues to qualify for the exemption or exclusion. The owner has 60 days from the date a written request for the information is made to submit the information to the assessor. If the assessor determines that the owner failed to make the information requested available in the time required without good cause, then the property loses its exemption or exclusion. The assessor must reinstate the property's exemption or exclusion when the owner makes the requested information available unless the information discloses that the property is no longer eligible for the exemption or exclusion."

(m) The assessor shall annually review the transportation corridor official maps and amendments to them filed with the register of deeds pursuant to Article 2E of Chapter 136 of the General Statutes. The assessor must indicate on all tax maps maintained by the county or city that portion of the properties embraced within a transportation corridor and must note any variance granted for the property for such period as the designation remains in effect. The assessor must tax the property within a transportation corridor as required under G.S. 105-277.9."

§ 105-299. Employment of experts.

The board of county commissioners may employ appraisal firms, mapping firms or other persons or firms having expertise in one or more of the duties of the assessor to assist him or her in the performance of such duties. The county may make available to such persons any information it has that will facilitate the performance of a contract entered into pursuant to this section. Persons receiving such information shall be subject to the provisions of G.S. 105-289(e) and G.S. 105-259 regarding the use and disclosure of information provided to them by the county. Any person employed by an appraisal firm whose duties include the appraisal of property for the county shall be required to demonstrate that he or she is qualified to carry out such duties by achieving a passing grade on a comprehensive examination in the appraisal of property administered by the Department of Revenue. In the employment of such firms, primary consideration shall be given to the firms registered with the Department of Revenue pursuant to the provisions of G.S. 105-289(i). A copy of the specifications to be submitted to potential bidders and a copy of the proposed contract may be sent by the board to the Department of Revenue for review before the invitation or acceptance of any bids. Contracts for the employment of such firms or persons shall be deemed to be contracts for personal services and shall not be subject to the provisions of Article 8, Chapter 143, of the General Statutes.

§ 105-322. County board of equalization and review.

(a) Personnel. – Except as otherwise provided herein, the board of equalization and review of each county shall be composed of the members of the board of county commissioners.

Upon the adoption of a resolution so providing, the board of commissioners is authorized to appoint a special board of equalization and review to carry out the duties imposed under this section. The resolution shall provide for the membership, qualifications, terms of office and the filling of vacancies on the board. The board of commissioners shall also designate the chairman of the special board. The resolution may also authorize a taxpayer to appeal a decision of the special board with respect to the listing or appraisal of his property or the property of others to the board of county commissioners. The resolution shall be adopted not later than the first Monday in March of the year for which it is to be effective and shall continue in effect until revised or rescinded. It shall be entered in the minutes of the meeting of the board of commissioners and a copy thereof shall be forwarded to the Department of Revenue within 15 days after its adoption.

Nothing in this subsection (a) shall be construed as repealing any law creating a special board of equalization and review or creating any board charged with the duties of a board of equalization and review in any county.

(b) Compensation. – The board of county commissioners shall fix the compensation and allowances to be paid members of the board of equalization and review for their services and expenses.

(c) Oath. – Each member of the board of equalization and review shall take the oath required by Article VI, § 7 of the North Carolina Constitution with the following phrase added to it: "that I will not allow my actions as a member of the board of equalization and review to be influenced by personal or political friendships or obligations,". The oath must be filed with the clerk of the board of county commissioners.

(d) Clerk and Minutes. – The assessor shall serve as clerk to the board of equalization and review, shall be present at all meetings, shall maintain accurate minutes of the actions of the board, and shall give to the board such information as he may have or can obtain with respect to the listing and valuation of taxable property in the county.

(e) Time of Meeting. – Each year the board of equalization and review shall hold its first meeting not earlier than the first Monday in April and not later than the first Monday in May. In years in which a county does not conduct a real property revaluation, the board shall complete its duties on or before the third Monday following its first meeting unless, in its opinion, a longer period of time is necessary or expedient to a proper execution of its responsibilities. Except as provided in subdivision (g)(5) of this section, the board may not sit later than July 1 except to hear and determine requests made under the provisions of subdivision (g)(2), below, when such requests are made within the time prescribed by law. In the year in which a county conducts a real property revaluation, the board shall complete its duties on or before December 1, except that it may sit after that date to hear and determine requests made under the provisions of subdivision (g)(2), below, when such requests are made within the time prescribed by law. From the time of its first meeting until its adjournment, the board shall meet at such times as it deems reasonably necessary to perform its statutory duties and to receive requests and hear the appeals of taxpayers under the provisions of subdivision (g)(2), below.

(f) Notice of Meetings and Adjournment. – A notice of the date, hours, place, and purpose of the first meeting of the board of equalization and review shall be published at least three times in some newspaper having general circulation in the county, the first publication to be at least 10 days prior to the first meeting. The notice shall also state the dates and hours on which the board will meet following its first meeting and the date on which it expects to adjourn; it shall also carry a statement that in the event of earlier or later adjournment, notice to that effect will be published in the same newspaper. Should a notice be required on account of earlier adjournment, it shall be published at least once in the newspaper in which the first notice was published, such publication to be at least five days prior to the date fixed for adjournment. Should a notice be required on account of later adjournment, it shall be published at least once in the newspaper in which the first notice was published, such publication to be prior to the date first announced for adjournment.

(g) Powers and Duties. – The board of equalization and review has the following powers and duties:

(1) Duty to Review Tax Lists. – The board shall examine and review the tax lists of the county for the current year to the end that all taxable property shall be listed on the abstracts and tax records of the county and appraised according to the standard required by G.S. 105-283, and the board shall correct the abstracts and tax records to conform to the provisions of this Subchapter. In carrying out its responsibilities under this subdivision (g)(1), the board, on its own motion or on sufficient cause shown by any person, shall:

a. List, appraise, and assess any taxable real or personal property that has been omitted from the tax lists.

b. Correct all errors in the names of persons and in the description of properties subject to taxation.

c. Increase or reduce the appraised value of any property that, in the board's opinion, has been listed and appraised at a figure that is below or above the appraisal required by G.S. 105-283; however, the board shall not change the appraised value of any real property from that at which it was appraised for the preceding year except in accordance with the terms of G.S. 105-286 and 105-287.

d. Cause to be done whatever else is necessary to make the lists and tax records comply with the provisions of this Subchapter.

e. Embody actions taken under the provisions of subdivisions (g)(1)a through (g)(1)d, above, in appropriate orders and have the orders entered in the minutes of the board.

f. Give written notice to the taxpayer at the taxpayer's last known address in the event the board, by appropriate order, increases the appraisal of any property or lists for taxation any property omitted from the tax lists under the provisions of this subdivision (g)(1).

(2) Duty to Hear Taxpayer Appeals. – On request, the board of equalization and review shall hear any taxpayer who owns or controls property taxable in the county with respect to the listing or appraisal of the taxpayer's property or the property of others.

a. A request for a hearing under this subdivision (g)(2) shall be made in writing to or by personal appearance before the board prior to its adjournment. However, if the taxpayer requests review of a decision made by the board under the provisions of subdivision (g)(1), above, notice of which was mailed fewer than 15 days prior to the board's adjournment, the request for a hearing thereon may be made within 15 days after the notice of the board's decision was mailed.

b. Taxpayers may file separate or joint requests for hearings under the provisions of this subdivision (g)(2) at their election.

c. At a hearing under provisions of this subdivision (g)(2), the board, in addition to the powers it may exercise under the provisions of subdivision (g)(3), below, shall hear any evidence offered by the appellant, the assessor, and other county officials that is pertinent to the decision of the appeal. Upon the request of an appellant, the board shall subpoena witnesses or documents if there is a reasonable basis for believing that the witnesses have or the documents contain information pertinent to the decision of the appeal.

d. On the basis of its decision after any hearing conducted under this subdivision (g)(2), the board shall adopt and have entered in its minutes an order reducing, increasing, or confirming the appraisal appealed or listing or removing from the tax lists the property whose omission or listing has been appealed. The board shall notify the appellant by mail as to the action taken on the taxpayer's appeal not later than 30 days after the board's adjournment.

(3) Powers in Carrying Out Duties. – In the performance of its duties under subdivisions (g)(1) and (g)(2), above, the board of equalization and review may exercise the following powers:

a. It may appoint committees composed of its own members or other persons to assist it in making investigations necessary to its work. It may also employ expert appraisers in its discretion. The expense of the employment of committees or appraisers shall be borne by the county. The board may, in its discretion, require the taxpayer to reimburse the county for the cost of any appraisal by experts demanded by the taxpayer if the appraisal does not result in material reduction of the valuation of the property appraised and if the appraisal is not subsequently reduced materially by the board or by the Department of Revenue.

b. The board, in its discretion, may examine any witnesses and documents. It may place any witnesses under oath administered by any member of the board. It may subpoena witnesses or documents on its own motion, and it must do so when a request is made under the provisions of subdivision (g)(2)c, above.

A subpoena issued by the board shall be signed by the chair of the board, directed to the witness or to the person having custody of the document, and served by an officer authorized to serve subpoenas. Any person who willfully fails to appear or to produce documents in response to a subpoena or to testify when appearing in response to a subpoena shall be guilty of a Class 1 misdemeanor.

(4) Power to Submit Reports. – Upon the completion of its other duties, the board may submit to the Department of Revenue a report outlining the quality of the reappraisal, any problems it encountered in the reappraisal process, the number of appeals submitted to the board and to the Property Tax Commission, the success rate of the appeals submitted, and the name of the firm that conducted the reappraisal. A copy of the report should be sent by the board to the firm that conducted the reappraisal.

(5) Duty to Change Abstracts and Records After Adjournment. – Following adjournment upon completion of its duties under subdivisions (g)(1) and (g)(2) of this subsection, the board may continue to meet to carry out the following duties:

a. To hear and decide all appeals relating to discovered property under G.S. 105-312(d) and (k).

b. To hear and decide all appeals relating to the appraisal, situs, and taxability of classified motor vehicles under G.S. 105-330.2(b).

c. To hear and decide all appeals relating to audits conducted under G.S. 105-296(j) and relating to audits conducted under G.S. 105-296(j) and

(l) of property classified at present-use value and property exempted or excluded from taxation.

d. To hear and decide all appeals relating to personal property under G.S. 105-317.1(c). (1939, c. 310, s. 1105; 1965, c. 191; 1967, c. 1196, s. 6; 1971, c. 806, s. 1; 1973, c. 476, s. 193; 1977, c. 863; 1987, c. 45, s. 1; 1989, c. 79, s. 3; c. 176, s. 1; c. 196; 1991, c. 110, s. 5; 1991 (Reg. Sess., 1992), c. 1007, s. 22; 1993, c. 539, s. 720; 1994, Ex. Sess., c. 24, s. 14(c); 2001-139, ss. 6, 7; 2002-156, s. 3.)

§ 105-325. Powers of board of county commissioners to change abstracts and tax records after board of equalization and review has adjourned.

(a) After the board of equalization and review has finished its work and the changes it effected or ordered have been entered on the abstracts and tax records as required by G.S. 105-323, the board of county commissioners shall not authorize any changes to be made on the abstracts and tax records except as follows:

(1) To give effect to decisions of the Property Tax Commission on appeals taken under G.S. 105-290.

(2) To add to the tax records any valuation certified by the Department of Revenue for property appraised in the first instance by the Department or to give effect to corrections made in such appraisals by the Department.

(3) Subject to the provisions of subdivisions (a)(3)a and (a)(3)b, below, to correct the name of any taxpayer appearing on the abstract or tax records erroneously; to substitute the name of the person who should have listed property for the name appearing on the abstract or tax records as having listed the property; and to correct an erroneous description of any property appearing on the abstract or tax records.

a. Any correction or substitution made under the provisions of this subdivision (a)(3) shall have the same force and effect as if the name of the taxpayer or description of the property had been correctly listed in the first instance, but the provisions of this subdivision (a)(3)a shall not be construed as a limitation on the taxation and penalization of discovered property required by G.S. 105-312.

b. If a correction or substitution under this subdivision (a)(3) will adversely affect the interests of any taxpayer, he shall be given written notice thereof and an opportunity to be heard before the change is entered on the abstract or tax records.

(4) To correct appraisals, assessments, and amounts of taxes appearing erroneously on the abstracts or tax records as the result of clerical or mathematical errors. (If the clerical or mathematical error was made by the taxpayer, his agent, or an officer of the taxpayer and if the correction demonstrates that the property was listed at a substantial understatement of value, quantity, or other measurement, the provisions of G.S. 105-312 shall apply.)

(5) To add to the tax records and abstracts or to correct the tax records and abstracts to include property discovered under the provisions of G.S. 105-312 or property exempted or excluded from taxation pursuant to G.S. 105-282.1(a)(4).

(6) Subject to the provisions of subdivisions (a)(6)a, (a)(6)b, (a)(6)c, and (a)(6)d, below, to appraise or reappraise property when the assessor reports to the board that, since adjournment of the board of equalization and review, facts have come to his attention that render it advisable to raise or lower the appraisal of some particular property of a given taxpayer in the then current calendar year.

a. The power granted by this subdivision (a)(6) shall not authorize appraisal or reappraisal because of events or circumstances that have taken place or arisen since the day as of which property is to be listed.

b. No appraisal or reappraisal shall be made under the authority of this subdivision (a)(6) unless it could have been made by the board of equalization and review had the same facts been brought to the attention of that board.

c. If a reappraisal made under the provisions of this subdivision (a)(6) demonstrates that the property was listed at a substantial understatement of value, quantity, or other measurement, the provisions of G.S. 105-312 shall apply.

d. If an appraisal or reappraisal made under the provisions of this subdivision (a)(6) will adversely affect the interests of any taxpayer, he shall be given written notice thereof and an opportunity to be heard before the appraisal or reappraisal shall become final.

(7) To give effect to decisions of the board of county commissioners on appeals taken under G.S. 105-322(a).

(b) The board of county commissioners may give the assessor general authority to make any changes authorized by subsection (a), above, except those permitted under subdivision (a)(6), above.

(c) Orders of the board of county commissioners and actions of the assessor upon delegation of authority to him by the board that are made under the provisions of this section may be appealed to the Property Tax Commission under the provisions of G.S. 105-290.

§ 105-289. Duties of Department of Revenue.

(e) The Department of Revenue may furnish the following information to a local tax official:

(1) Information contained in a report to it or to any other State department; and

(2) Information the Department has in its possession that may assist a local tax official in securing complete tax listings, appraising or assessing taxable property, collecting taxes, or presenting information in administrative or judicial proceedings involving the listing, appraisal, or assessment of property.

A local tax official may use information obtained from the Department under this subsection only for the purposes stated in subdivision (2). A local tax official may not divulge or make public this information except as required in administrative or judicial proceedings under this Subchapter. A local tax official who makes improper use of or discloses information obtained from the Department under this subsection is punishable as provided in G.S. 153A-148.1 or G.S. 160A-208.1, as appropriate

The Department may not furnish information to a local tax official pursuant to this subsection unless it has obtained a written certification from the official stating that he is familiar with the provisions this subsection and G.S. 153A-148.1 or G.S. 160A-208.1, as appropriate, and that information obtained from the Department under this subsection will be used only for the purposes stated in subdivision (2).

Section 4

Taxpayer Compliance

Section 4 -- Taxpayer Compliance

Taxpayer compliance is the first part in an audit program. Taxpayer compliance as used here means making the effort to be sure that all business taxpayers file personal property returns. Too many times, businesses in counties across the state are allowed to not list because no compliance program has been put into effect. Every county **can do something** to make sure that taxpayers list as required by law.

Roster of Taxpayers

A diligent effort should be made to ensure the completeness and accuracy of the "Tax Roll." All address changes should be made promptly and any returned mail should be investigated immediately. There must also be a consistent effort to add new taxpayers to the list, and to remove taxpayers who have ceased business operations. The appraiser has several sources available to assist in the maintenance of this list. Annually the professional appraiser should consult several of the following:

1. City Directories
2. Telephone Directories
3. Privilege Licenses
4. Sales Tax List and Corporate Tax List
5. Building Permits
6. Leased Equipment Reports from listings
7. UCC forms filed in the Register of Deeds office
8. DMV reports
9. Telephone Calls from new taxpayers
10. Other Taxpayers
11. Tenant Lists from shopping centers
12. Personal Knowledge gained from travel (Drive By)
13. Newspaper, periodical ads etc.
14. Mall & Shopping Center Guides
15. Chamber of Commerce Member list
16. Farm Deferred Applications
17. A canvass of all property in the county.
18. Fire Marshall records

Reports in Aid of Listing

In addition to the sources listed above, the North Carolina General Statutes provide some assistance in obtaining property tax listings. These aids are found in Article 18 of the Machinery Act, and will assist the county in locating leased property, aircraft, boats, and mobile homes. Some of the more useful reports are described below:

§ 105-313. Report of property by multi-county business.

A taxpayer who is engaged in business in more than one county in this State and who owns real property or tangible personal property in connection with his multi-county business shall, upon the request of the Department of Revenue or the assessor of a county in which part of this business property is situated, file a report with the Department of Revenue stating, as of the dates specified in G.S. 105-285 of any year, the following information:

(1) The counties in this State in which the taxpayer's business property is situated;

(2) The taxpayer's investment, on a county by county basis, in his business property situated in this State, categorized as the Department of Revenue or the assessor may require; and

(3) The taxpayer's total investment in his business property situated in this State, categorized as the Department of Revenue or the assessor may require.

This report shall be subscribed and sworn to by the owner of the property. If the owner is a corporation, partnership, or unincorporated association, the report shall be subscribed and sworn to by a principal officer of the owner who has knowledge of the facts contained in the report.

§ 105-315. Reports by persons having custody of tangible personal property of others.

(a) As of January 1, every person having custody of taxable tangible personal property that has been entrusted to him by another for storage, sale, renting, or any other business purpose shall furnish the appropriate assessor the reports required by subdivision (a)(2), below:

(1) Repealed by Session Laws 1987, c. 813, s. 14.

(2) For all tangible personal property, except inventories exempt under G.S. 105-275(33) and (34), there shall be furnished to the assessor of the county in which the property is situated a statement showing the name of the owner of the property, a description of the property, the quantity of the property, and the amount of money, if any, advanced against the property by the person having custody of it.

(3) For purposes of illustration, but not by way of limitation, the term "person having custody of taxable tangible personal property" as used in this subsection (a) shall include warehouses, cooperative growers' and marketing associations, consignees, factors, commission merchants, and brokers.

(b) Any person who fails to make the reports required by subsection (a), above, by January 15 in any year shall be liable to the counties in which the property is taxable for a penalty to be measured by any portion of the tax on the property that has not been paid at the time the action to collect this penalty is brought plus two hundred fifty dollars ($250.00). This penalty may be recovered in a civil action in the appropriate division of the General Court of Justice of the county in which the property is taxable. Upon recovery of this penalty, the tax on the property shall be deemed to be paid.

§ 105-316. Reports by house trailer park, marina, and aircraft storage facility operators.

(a) As of January 1 each year:

(1) Every operator of a park or storage lot renting or leasing space for three or more house trailers or mobile homes shall furnish to the assessor of the county in which the park or lot is located the name of the owner of and a description of each house trailer or mobile home situated thereon.

(2) Every operator of a marina or comparable facility renting, leasing, or otherwise providing dockage or storage space for three or more boats, vessels, floating homes, or floating structures shall furnish to the assessor of the county in which the marina or comparable facility is located the name of the owner of and a description of each boat, vessel, floating home, or floating structure for which dockage or storage space is rented, leased, or otherwise provided.

(3) Every operator of a storage facility renting or leasing space for three or more airplanes or other aircraft shall furnish to the assessor of the county in which the storage facility is located the name of the owner of and a description of each airplane or aircraft for which space is rented or leased.

(b) Any person who fails to make any report required by subsection (a), above, by January 15 of any year shall be liable to the county in which the house trailers, mobile homes, boats, vessels, floating homes, floating structures, or airplanes are taxable for a penalty to be measured by any portion of the tax on the personal property that has not been paid at the time the action to collect this penalty is brought, plus two hundred fifty dollars ($250.00). This penalty may be recovered in a civil action in the appropriate division of the General Court of Justice of the county in which the personal property is taxable. Upon recovery of this penalty, the tax on the personal property shall be deemed to be paid.

With all the different sources of information available to help find new businesses and unlisted businesses, there is no reason that a very high percentage of businesses in every county list each year. Allowing the business taxpayer to not list as required by law places a unfair tax burden on the citizens which do list each year as required. Without a compliance program in place the county assessor is not fulfilling his/her duties as required by G.S. 105-296.

Services Provided by the North Carolina Department of Revenue

G.S. 105-289(e) allows the Department of Revenue to furnish certain types of information to local tax officials. The Department of Revenue may furnish information contained in a report to it or to any other State department; and information the Department has in its possession that may assist a local tax official in securing complete tax listings, appraising or assessing taxable property, collecting taxes, or presenting information in administrative or judicial proceedings involving the listing, appraisal, or assessment of property.

A local tax official is defined in G.S. 105-272(10a) as a county assessor, an assistant county assessor, a member of a county board of commissioners, a member of a county board of equalization and review, a county tax collector, and the municipal equivalents of these officials.

The Department may not furnish information to a local tax official until it has obtained a written certification from the official stating the official is familiar with the provisions of G.S. 105-289, G.S. 153A-146.1 and G.S. 160A-208.1 as appropriate. A local tax official may use information obtained from the Department under this subsection only for the purposes stated above. A local tax official may not divulge or make public this information except as required in administrative or judicial proceedings under this Subchapter. A local tax official who makes improper use of or discloses information obtained from the Department under this subsection is punishable as provided in the above listed statutes.

The following pages are copies of the forms required to be signed by local tax officials before information may be sent. Also included are copies of forms use to request information from the Department. To obtain a sales or corporate tax list, a local tax official must make a written request in the form of a letter to the Property Tax Division.

To:

From: David B. Baker, Director
Property Tax Division

Re: Local tax officials' request for information from the Department of Revenue pursuant to G.S. 105-289(e).

The Department of Revenue may furnish certain information to a local tax official who may use the information only for the purposes listed under G.S. 105-289(e)(2). The department may not furnish information to a local tax official pursuant to this subsection unless it has obtained a written certification from the official stating that the official is familiar with the provisions of G.S. 105-289(e), G.S. 153A- 148.1 and G.S. 160A-208.1

The importance of strict compliance with the secrecy provisions of G.S. 153A-148.1 and G.S. 160A-208.1 cannot be overemphasized. Any person violating these sections is guilty of a misdemeanor and may be fined not less than two hundred ($200.00) nor more than one thousand dollars($1000.00), imprisoned for up to two years, or both. If the person committing the violation is an officer or employee, that person shall be dismissed from public office or public employment and may not hold any public office or public employment in this State for five years after the violation.

The statute authorizes the Department of Revenue to release information **only to local tax officials**. The definition of a local tax official in G.S. 105-273(10a) "....includes a county assessor, an assistant county assessor; a member of a county board of commissioners, a member of a county board of equalization and review, a county tax collector, and the municipal equivalents of these officials."

Many times the local officials defined above must utilize members of their staff to review this information. The local official is responsible for the control and use of any information obtained pursuant to G.S. 105-189(e).

In order to assure that such information is released only to the appropriate persons and to protect the local officials involved in this process as well as the Department of Revenue we are requesting the following forms be completed and returned to our office.

1. Please complete and sign the enclosed "secrecy provision form for local tax official."

2. For each person you have listed on the form as being a member of your staff authorized to request and handle this type of information, please complete the enclosed "secrecy provision form for staff of local tax official." We need one form completed and signed by each such member of your staff.

3. Please return the "tax official" form, together with any necessary "staff of tax official" forms to the Department of Revenue at the following address:

   David B. Baker
   Property Tax Division
   N. C. Department of Revenue
   P. O. Box 871
   Raleigh, NC 27602

Enclosed are the necessary forms which **must be completed** before any information may be released from the Department of Revenue to a Local Tax Official pursuant to G.S. 105-289(e).

If you have any questions concerning this matter, please call David Baker or Kirk Boone at (919)-733-7711.

STATE OF NORTH CAROLINA PROPERTY TAX DIVISION

NORTH CAROLINA DEPARTMENT OF REVENUE

Secrecy Provision Form for Staff of Local Tax Officials

STAFF CERTIFICATION

In accordance with the provisions of G.S. 105-289(e), I, the undersigned, do hereby certify that the figures and other information which I may obtain or receive from records of any kind provided by the North Carolina Department of Revenue will be used **only** in connection with securing complete tax listings, appraising or assessing taxable property, collecting taxes, or presenting information in administrative or judicial proceedings involving the listing, appraisal, or assessment of property.

I certify that I have read and am familiar with the provisions and penalties contained in G.S. 153A-148.1 and G.S. 160A-208.1 concerning the improper use or disclosure of confidential taxpayer information. I further certify such information will not be disclosed except in strict compliance with the provisions of G.S. 105-289(e).

_________________________ _________________________
Name Position or Title

_________________________ _________________________
Signature County

____
Date

MUST BE COMPLETED BY **EACH STAFF PERSON** AUTHORIZED BY A LOCAL TAX OFFICIAL TO REQUEST AND HANDLE CONFIDENTIAL TAXPAYER INFORMATION.

STATE OF NORTH CAROLINA PROPERTY TAX DIVISION

NORTH CAROLINA DEPARTMENT OF REVENUE

Secrecy Provision Form for Staff of Local Tax Officials

ASSESSOR CERTIFICATION

In accordance with the provisions of G.S. 105-289(e), I, the undersigned local tax official, as defined in G.S. 105- 273(10a), do hereby certify that the figures and other information which I may obtain or receive from records of any kind provided by the North Carolina Department of Revenue will be used **only** in connection with securing complete tax listings, appraising or assessing taxable property, collecting taxes, or presenting information in administrative or judicial proceedings involving the listing, appraisal, or assessment of property.

I further certify that the following persons are members of my staff under my direct supervision, are authorized by me to request and handle confidential taxpayer information, and are familiar with the provisions and penalties provided in G.S. 153A-148.1 and G.S. 160A-208.1:

____________________	____________________
Name	Position or Title
____________________	____________________
Name	Position or Title
____________________	____________________
Name	Position or Title

I certify that I have read and am familiar with the provisions and penalties contained in G.S 153A-148.1 and G.S. 160A-208.1 concerning the improper use or disclosure of confidential taxpayer information. I certify that I have reviewed these requirements with the members of my staff listed above. I further certify such information will not be disclosed except in strict compliance with the provisions of G.S. 105-289(e).

____________________	____________________
Name	Position or Title
____________________	____________________
Signature	County
____________________	
Date	

Security

The listing form itself is a public document. Any additional information that is requested after the listing form is submitted is confidential.(See NCGS 105-296(h) For example, if a taxpayer returns their listing with a computer printout attached and the listing form states, "see attached", the listing form itself and the printout are public documents. If further information is requested, such as balance sheets or income statements, that information is to be kept confidential. If someone other than the taxpayer requests information from a file, only the abstract itself and the cost information provided with it should be shown. At no time should an individual other than office personnel be allowed to freely examine all the listing files. All listing information, confidential or not, should be kept in a locked file cabinet.

§ 153A-148.1. Disclosure of certain information prohibited.

(a) Disclosure Prohibited. - Notwithstanding Chapter 132 of the General Statutes or any other law regarding access to public records, local tax records that contain information about a taxpayer's income or receipts are not public records. A current or former officer, employee, or agent of a county who in the course of service to or employment by the county has access to information about the amount of a taxpayer's income or receipts may not disclose the information to any other person unless the disclosure is made for one of the following purposes:
(1) To comply with a court order or a law.
(2) Review by the Attorney General or a representative of the Attorney General.
(3) To sort, process, or deliver tax information on behalf of the county, as necessary to administer a tax.
(4) To exchange information with a regional public transportation authority or a regional transportation authority created pursuant to Article 26 or Article 27 of Chapter 160A of the General Statutes, when the information is needed to fulfill a duty imposed on the authority or on the county.
(5) To exchange information with the Department of Revenue, when the information is needed to fulfill a duty imposed on the Department or on the county.
(6) To include on a property tax receipt the amount of property taxes due and the amount of property taxes deferred on a residence classified under G.S. 105-277.1B, the property tax homestead circuit breaker.
(b) Punishment. - A person who violates this section is guilty of a Class 1 misdemeanor. If the person committing the violation is an officer or employee, that person shall be dismissed from public office or public employment and may not hold any public office or public employment in this State for five years after the violation.
(1993, c. 485, s. 33; 1994, Ex. Sess., c. 14, s. 66.)
Annotations
Editor's Note. - Session Laws 1993, c. 485, s. 40, made this section effective upon ratification. The act was ratified July 23, 1993.

Session Laws 1994, Extra Session, c. 14, s. 73, provides: "Prosecutions for offenses committed before the effective date of this act [October 1, 1994] are not abated or affected by this act, and the statutes that would be applicable but for this act remain applicable to those prosecutions." Session Laws 1994 Extra Session, c. 14, s. 66, which amended this section, was effective on the same date that Chapter 539 of the 1993 Session Laws becomes effective (October 1, 1994), and is applicable to offenses occurring on or after that date.

Information Provided to a Local Tax Official

As mentioned previously in this section and in §105-289(e), the Department of Revenue may furnish information to a local tax official to assist in almost any aspect of administering the property tax. However the statute makes clear that the local tax official may not divulge or make public this information except as required in administrative or judicial proceedings. The punishment for offending this confidentiality requirement is the same as under § 153A-148.1 above.

Social Security Numbers

The Identity Theft Protection Act of 2005 states the following in G.S. 132-1.10(b)(5).

Governmental units may not communicate or make available to the public a person’s social security number or a business entity’s tax identification number or other identifying information, including
–Driver’s license number
–Checking or savings account number
–Credit or debit card number
–PIN code for a financial transaction card
–Digital signature
–Biometric data
–Fingerprints
–Password
–Number that could be used to access a person’s financial resources (other than email name or address, internet account number or internet identification name)

Social Security Numbers (SSNs) arguably are imperative to the performance of a taxing unit’s duties. However, there are many legal requirements before a county can request or require a SSN. These requirements are found in both the Identity Theft Protection Act of 2005 and the 2001 State Privacy Act. In order to request a SSN, the taxing unit must:

1. Segregate the number on another form to make it easier to redact in case of a public records request.
2. Advise whether the request for the SSN is mandatory or voluntary.
3. Disclose the authority for requiring the SSN.
4. Must give a statement of purpose (below).

5. Not use the number for any other purpose other than what is given in the statement.
6. Not print the SSN on any other document, unless required by law (Eff. July 1, 2007).

Regarding the statement of purpose, it is the opinion of the School of Government that the following is the only acceptable statement:

"The social security number will be used to facilitate collection of property taxes if you do not timely and voluntarily pay the taxes. Using the social security number will allow the tax collector to claim payment of an unpaid property tax bill from any state income tax refund that might otherwise be owed to you. Your social security number may be shared with the state for this purpose. In addition, your social security number may be used to attach wages or garnish bank accounts for failure to timely pay taxes."

Federal law allows political subdivisions of states to require Social Security Numbers on the listing form or other forms where identification of an individual is needed. US Code Title 42, Section 405(c)(2)(C)(i) reads:

(i) It is the policy of the United States that any State (or political subdivision thereof) may, in the administration of any tax, general public assistance, driver's license, or motor vehicle registration law within its jurisdiction, utilize the social security account numbers issued by the Commissioner of Social Security for the purpose of establishing the identification of individuals affected by such law, and may require any individual who is or appears to be so affected to furnish to such State (or political subdivision thereof) or any agency thereof having administrative responsibility for the law involved, the social security account number (or numbers, if he has more than one such number) issued to him by the Commissioner of Social Security.

The ability to utilize the social security number for identification purposes is very important to the local tax office. Incorrect or careless management of the number could seriously jeopardize our authority to obtain social security numbers. Because of the stringent requirements necessary to request the SSN, it is no longer asked for on the Statewide Uniform Abstract.

Canvassing

The term canvassing is often used in the world of politics and elections. The meaning of the term is a method of systematically observing and studying a physical area in order to gather specific information about that area. In the political world it generally means going door to door in particular neighborhoods or on particular streets to determine the political inclinations of the residents prior to elections. The information gathered is then used to promote the issues or candidates supported by the group doing the canvassing.

For our purposes in auditing and establishing a compliance program for Business Personal Property Listings, it means observing and studying streets, neighborhoods, townships, etc., to determine all businesses in those areas that are actively engaged in commerce. Once this information is compiled, the county can verify if the businesses are filing Business Personal Property Abstracts as required. If they are not filing abstracts, the county should make contact and gather the information necessary to enable the county to make discoveries where appropriate.

While this process can be time consuming and labor intensive, it provides absolute proof that a business is actively engaged in commerce and the county now has a record of the physical location of the business. This information, along with additional information gained during the canvassing process will assist the county the county in the process of bringing all business taxpayers into compliance with the listing requirements.

We will now discuss some of the particular steps and processes involved in a typical canvassing program.

Conducting A Canvass

- **Organize** in street order so you will be able to add in a new business or delete an expired business.
- **Visit** each address and speak with someone with knowledge of the Business Personal Property. Record that person's name and phone number.
- **Inquire** about possession of property owned by others.
- **Determine** if there are any sub-tenants.
- **Seek** permission for a physical tour of the premises to become familiar with the business. Record Notes.
- **Estimate** the square footage of the real estate as a basis for estimating a value by the square foot method.
- **Verify** the name, location, and mailing address of each taxpayer to ensure correct mailing of the bill and /or notices of value.
- **Record** the name of the person you interviewed, their title, phone number and the date of the visit.
- **Finalize** with additional notes about the visit.

Section 5

Basic Accounting Records

Section 5 -- Basic Accounting Records

The Accounting Profession

The American Institute of Certified Public Accountants (AICPA) is the national professional organization of CPA's. A CPA is a professional accountant who earns this title through a combination of education, experience and a written national examination.

The accounting profession can be divided into two major areas, public accounting and private accounting. Private accountants work for a single business and perform tasks such as auditing, tax planning and preparation, and management consulting. Public accountants work for the general public and perform services such as general accounting, cost accounting, budgeting, systems design, and internal auditing.

There are guidelines which accountants follow in maintaining financial records for businesses. These guidelines are referred to as the Generally Accepted Accounting Principles (GAAP) and are established by the Financial Accounting Standard Board (FASB). The guidelines and principles are used by accountants to maintain accounting records such as the general ledger, balance sheet, and income statement. We will discuss each of these as we go through this course.

Basic Accounting Concepts and Principles

The term "generally accepted accounting principles" is a very broad statement which covers all the principles, concepts and methods used and recognized by accountants. Below are a few of these principles and concepts.

The Entity Concept: This is the most basic concept in accounting and states that an accounting entity is an organization or part of an organization which is set apart from any other organization. Examples of entities are: individuals, sole proprietorships, partnerships and corporations, LLC's, and LLP's.

The Reliability Principle: States that accounting records and statements must be based on the most reliable data available. The data must be verifiable and possible of being confirmed by any independent observer.

The Cost Principle: States that assets should be recorded at the actual cost paid at the time of acquisition. The actual cost is sometimes called the historical cost. The actual cost or historical cost may not be the original historical cost of the asset. We will discuss the difference later in this course.

The Going-Concern Concept: Assumes that an entity will remain in operation long enough to use the assets for their intended purpose. The market value of an asset may change over the life of the asset and many times will be different than the actual or historical cost of the asset.
The Stable-Monetary-Unit Concept: Assumes that the dollar's purchasing power is relatively stable. This concept ignores the effect of inflation in the accounting records, therefore the cost of an asset many times does not equal its fair market value.

The Matching Principle Requires accountants to match expenses against revenues or to subtract the expenses from the revenues in order to determine the net income or loss.

Understanding these principles and concepts will help the auditor better understand how accountants maintain the financial records and why. It is always important to remember that accounting records are maintained for reasons that may have no relationship to the fair market value of the assets. There are times when the cost data recorded and maintained does not represent the fair market value of the assets. The auditor must be able to recognize the differences and make adjustments when warranted.

Basic Accounting

The basic accounting record is the Account. This is a record of the changes that have occurred for a particular asset, liability or equity during a certain time period. The accounts are grouped together in a single book called the ledger. The terms like "booked the asset" "audit the books" and "keeping the books" refers to recording, reviewing and maintaining the ledger. A company will normally have a "chart of accounts" which will list all the accounts found in the general ledger and with a number assigned to each account. These accounts are divided into three major groups represented by the accounting equation below:

A=L+C or assets = liabilities + capital.

Assets are normally divided into the following accounts:

Cash
Notes Receivable
Accounts Receivable
Prepaid Expenses
Land
Building
Equipment, Furniture and Fixtures

Liabilities are normally grouped into two major categories:

Note Payable
Accounts Payable

Capital or Owner's Equity is made up of the following:

Capital
Withdrawals
Revenues

The information from these accounts is used to develop the financial statements of the business. The primary financial statements are the (1) balance sheet, (2) income statement, (3) statement of owner's equity, (4) statement of cash flows and (5) depreciation schedules.

Assets

There are several kinds of assets. Current assets include cash or other accounts that can be easily converted to cash. The cash account is not of interest to the auditor as far as taxation, however these assets may indicate the financial condition of a business when comparing to the business' liabilities. Comparing cash and prepaid expenses to notes payable and salaries expense may give the appraiser insight into an economic obsolescence contention by the taxpayer. Other than cash itself, current assets may include accounts receivable, inventory, and prepaid expenses. Under the inventory section is where the auditor would commonly find inventories of supply items that should appear on the listing form. Such inventories are usually of items located in store rooms or storage cabinets and do not include items at desks or other work stations, which are also taxable.

Assets not quite as liquid as current assets may be in the form of investments which generally include stocks and bonds owned by the taxpayer. Investments are not taxable in North Carolina.

Those assets which we are interested in as appraisers and auditors are fixed assets. In the fixed assets section of the balance sheet, the auditor will find accounts for land, buildings, furniture and fixtures, machinery and equipment, computers, and vehicles. In North Carolina, we will focus on the personal property component of fixed assets. GAAP requires accountants to report the balance of fixed assets at the lower of cost or market. You will find that accountants capitalize fixed assets at cost rather than at market price since accountants are not appraisers.

The figures found for fixed assets on the balance sheet reflect the acquisition cost of the assets. The accumulated depreciation represents a write-off of acquisition cost to expense during the period the asset has been owned. The difference between those two figures represents what accountants call book value. Sometimes, an accountant may attempt to be an appraiser and post the net book value figure to the listing form. This is unacceptable since net book value rarely represents fair market value as of the lien date of January 1. Personal property items appearing on the balance sheet may not be categorized in the same manner as reported on the listing. However, the total cost of all taxable items in the balance sheet should equal the total cost reported on the listing form.

BALANCE SHEET

A balance sheet is an accounting report indicating the assets, liabilities, and capital accounts of a business as of a specific date. The balance sheet is usually prepared annually in conjunction with the business' fiscal year. The balance sheet centers around a simple mathematical formula which reads A=L+C or *assets = liabilities + capital.*

BALANCE SHEET

Balance Sheet VALLEY HARDWARE STORE December 31, 2001					
Assets			LIABILITIES AND NET WORTH		
CURRENT ASSETS			CURRENT LIABILITIES		
Cash On Hand		3,000	Accounts Payable (Net Due)		40,000
Bank Balances		80,000	Accounts Payable (Past Due)		
Marketable Securities					
Accounts Receivable - Customers			Notes Payable - Banks		70,000
Accounts - Current	20,000		Notes Payable - Merchandise		
Accounts - Past Due			Notes Payable - Other		
Total	20,000		Reserve - Federal Taxes		
Less Revenues			Reserve - Other Taxes		
Notes Receivable - Customers					
		20,000	ACCRUED EXPENSES		
INVENTORY			Salaries & Wages	140,000	
Raw Material	30,000				
Work in Process					
Finished Stock					
Office supplies					
Store supplies					
		30,000	Total Current Liabilities		250,000
OTHER CURRENT ASSETS					
			Mortgage Payable		90,000
			Long Term Notes		30,000
Total Current Assets		133,000			
FIXED ASSETS					
Land	80,000		TOTAL LIABILITIES		370,000
Buildings	212,000				
Furniture & Fixtures	109,602		NET WORTH		
Computers			Capital Stock		
Machinery & Equipment	1,261,531		Preferred	424,000	
Leasehold Improvements			Common	225,000	649,000
			Paid in or Capital Surplus		
Total	1,663,133		Retained Earnings		90,812
Less Depreciation	692,321				
OTHER ASSETS		970,812			
Loans and Advances					
			Total		
Prepaid Expenses	6,000		Less Treasury Stock		
			Stockholders Equity		
		6,000			
			NET WORTH		739,812
TOTAL ASSETS		1,109,812	TOTAL LIABILITIES & NET WORTH		1,109,812

Another type of asset found on the balance sheet is <u>intangible assets</u>. Intangible assets are, for the most part, no longer taxable in North Carolina.

Liabilities

Liabilities are also found on the balance sheet. Liabilities are usually classified as either current, short term liabilities, or long term liabilities. Current liabilities include accounts payable, reserves for payroll taxes and accrued wages. Long term liabilities may include items such as mortgages and notes payable.

Capital Accounts (Net Worth) (Owner Equity)

The net worth equity, or capital section of the balance sheet identifies the capital stock, common stock and retained earnings.

An example of how the three parts of a balance sheet work together in the A=L+C equation is the home you might have. The home itself is the asset. The amount owing on the mortgage is a liability. The amount you have paid is the capital or net worth. The depreciation on the home would be accounted for in a contra-asset account called accumulated depreciation. We will see accumulated depreciation again in a later section.

INCOME STATEMENT (Statement of Cash flows, Statements of Operations)

The income statement is a financial statement that summarizes the amount of revenues earned and expenses incurred by a business over a period of time. The period of time is usually the business' fiscal year, but may be for a different period, such as a month. There are several items of interest to the auditor that can be found in the income statement.

1) The depreciation expense line item may include expensed assets allowed by Internal Revenue Code Section 179.

The auditor should be aware of this type of expensed asset identified as Section 179 expensed property. Section 179 of the Internal Revenue Code allows a business to elect to expense a limited dollar amount of assets provided they did not purchase over $400,000 of new assets in their taxable year. The amount that may be expensed varies slightly by year and is as follows:

2000	$20,000
2001 or 2002	$24,000

Congress periodically reviews the amount a taxpayer can claim as the annual Section 179 amount. As part of an economic stimulus and tax-reduction package signed into law in May 2003, the expense limit was hiked to $100,000. A $2,000 inflation adjustment was added in 2004 and 2005 to make the limit $102,000. Lawmakers upped the immediate deduction amount in the hopes it would encourage businesses to invest in new equipment sooner. The discovery of these assets or partial cost of these assets can be made through the federal tax return Form 4562.

2) The freight, express, delivery line item may include costs incurred by the property owners when installing or obtaining a fixed asset. These costs are normally taxable. It is important to treat these items as costs and not intangible personal property.

3) The repair expense line item should include items intended to keep the taxpayers machinery and equipment in good operating condition. This may include replacing broken chains, belts, or other small parts, painting or other normal repairs. These repairs typically do not extend the life of the asset and would not be taxable. However, if the repair expense prolonged the useful life of the asset, the expense may be more appropriately capitalized for property tax purposes. The auditor/appraiser may elect to adjust the condition and age of the asset rather than adding this cost in to the depreciable base. Betterments are defined as those expenditures for replacement of assets or portions of assets with improved or superior assets or portions of assets. This replacement is usually intended to make the asset better, more efficient or more productive, but will not necessarily extend the life of the asset. Betterments should be recorded as an addition to the asset bettered and included in the depreciation base.

4) The Rent Expense account advises that rents or lease payments are being made. Since the balance sheet shows a building account, the appraiser should question what is being leased and from whom. When leases are found to include personal property, appropriate information should be taken to trace the lease to the lessor. Personal property taxes are the responsibility of the owner of the property.

5) Office supplies used and store supplies used. These accounts relate to the balance sheet accounts in the current asset section titled "Office Supplies" and "Stores Supplies". As previously mentioned, the balance sheet accounts reflect inventories of those items at cost at fiscal year end. The income statement accounts reflect issues from a central storage point for use. Some of these items may be at various workstations and not included in the balance sheet.

6) Tools Expense This account tells us that tools are used in the business but are not inventories. Probably there are some tools on hand at all times, yet there is not a listing of them. An important point to remember concerning small tools, small parts, and small machines is that generally accepted accounting principles permit these items to be expensed rather than capitalized. Therefore, these items will not normally appear in the asset accounts and are probably not listed. These items are taxable and should be reported.

7) Betterments. Betterments are defined as those expenditures for replacements of assets or portions of assets with improved or superior assets or portions of assets. This replacement is usually intended to make the asset better, more efficient or more productive, but will not necessarily extend the life of the asset. Betterments should be recorded as an addition to the asset bettered and included in the depreciation base.

Profit and Loss Statement (Income Statement)		
INCOME	Year Ending 12-31-2001	
Sales		$ 195,256
Total Income		$ 195,256
COST OF SALES		
Inventory to Begin	$ 25,000	
Merchandise Purchased	$ -	
Total	$ 25,000	
Less Inventory at End	$ 11,000	
Cost of Sales		$ 14,000
GROSS PROFIT		$ 181,256
EXPENSES		
Advertising	$ 500	
Auto & Trucks	$ 100	
Bad Debts	$ 500	
Depreciation	$ 1,000	
Discounts and Allowances	$ 50	
Freight, Express, Delivery	$ 1,000	
General and Miscellaneous	$ 1,000	
Heat, Light, Power and Water	$ 1,200	
Insurance	$ 300	
Interest	$ 50	
Laundry and Cleaning	$ 265	
Legal and Accounting	$ 500	
Office Expense, Printing and Postage	$ 500	
Repairs	$ 100	
Rent	$ 12,000	
Tools Expense	$ 1,200	
Store Supplies Used	$ 680	
Office Supplies Used	$ 960	
Salaries and Wages - Employees	$ 10,000	
- Officers	$ 40,000	
Taxes: F.I.C.A.	$ 2,500	
General	$ 3,000	
State Sales	$ 1,250	
Unemployment	$ 4,000	
Telephone and Telegraph	$ 1,000	
Travel and Entertainment	$ 600	
	$	
	$	
Section 179 Assets	$ 18,000	
	$	
	$	
Total Expenses		$ 102,255
Net Operating Profit or Loss		$ 79,001
OTHER INCOME		$ -
Total		$ 79,001
OTHER EXPENSES		$ -
TOTAL NET PROFIT OR LOSS		$ 79,001

DEPRECIATION SCHEDULE

Possibly the most useful document to the auditor is the taxpayer's depreciation schedule. Here the auditor will find acquisition year and cost of capitalized fixed assets, which are the tools necessary to appraise the property. The depreciation schedule is used by accountants to calculate the measured expense to be taken within a certain revenue period. The matching principle or theory in accounting requires that expenses are to be recognized in the same period in which revenues are earned. This period is ordinarily one year. In other words, if an asset is expected to have a life of six years, then the expense of that asset should be taken against the revenues earned in that six year period. The accountant calculation of life is different than that of the appraiser.

The accountant measures the asset's life by IRS standards. These standards may allow rapid write off. With a rapid write off a greater expense is taken. This reduces net income and therefore, reduces the business' income tax liability. When allocating this expense, or capitalized cost, several methods are available to the accountant. We will now review these methods and then review how the depreciation schedule can be audited.

Straight Line Method

The straight line method assumes the asset will lose its utility on a uniform and even basis. To calculate the annual charge to income for depreciation, the accountant will use the following formula:

$$\text{Annual depreciation} = \frac{\text{Cost - Salvage Value}}{\text{Useful Economic Life}}$$

The following table demonstrates the depreciation of an asset having a cost of $6,500, a salvage value of $1,500 and a useful economic life of five (5) years.

Year#	Book Value	Depr Expense	Accum Depr	Net Book Value
1	6,500	1,000	1,000	5,500
2	5,500	1,000	2,000	4,500
3	4,500	1,000	3,000	3,500
4	3,500	1,000	4,000	2,500
5	2,500	1,000	5,000	1,500 *

* Salvage Value

DEPRECIATION SCHEDULE

Valley Hardware Store									
Depreciation Schedule			31-Dec-01						
Office Furniture & Fixtures									
Kind of	Date	Cost or	Salvage	Cost Less	Method	Rate or	Accum Dep	2001 Depr	Accum Dep
Property	Acquired	Basis	Value	Salvage	Used	Life	31-Dec-00	Expense	31-Dec-01
File Cabinet	1991	$ 500		$ 500	SL	8	$ 500	$ -	$ 500
Artwork	1996	$ 1,000		$ 1,000	SL	8	$ 625	$ 125	$ 750
Vacuum	1996	$ 180		$ 180	SL	8	$ 113	$ 23	$ 135
Stereo	1997	$ 1,500		$ 1,500	SL	8	$ 750	$ 188	$ 938
Desk	1998	$ 1,600	$ 100	$ 1,500	SL	8	$ 563	$ 188	$ 750
Furniture	1998	$ 2,500		$ 2,500	SL	8	$ 938	$ 313	$ 1,250
Lamp	1998	$ 100		$ 100	SL	8	$ 38	$ 13	$ 50
Shredder	1998	$ 250		$ 250	SL	8	$ 94	$ 31	$ 125
Desk Set	1999	$ 100		$ 100	SL	8	$ 25	$ 13	$ 38
Adding	1999	$ 50		$ 50	SL	8	$ 13	$ 6	$ 19
Register	1999	$ 500		$ 500	SL	8	$ 125	$ 63	$ 188
Desk	1999	$ 2,000	$ 100	$ 1,900	SL	8	$ 475	$ 238	$ 713
Television	2000	$ 395		$ 395	SL	8	$ 49	$ 49	$ 99
Computer	2000	$ 2,500	$ 100	$ 2,400	SL	8	$ 300	$ 300	$ 600
Computer	2001	$ 2,500	$ 100	$ 2,400	SL	8	$ -	$ 300	$ 300
Sofa	2001	$ 1,670	$ 20	$ 1,650	SL	8	$ -	$ 206	$ 206
Display	2001	$ 500		$ 500	SL	8	$ -	$ 63	$ 63
10 Desks	2001	$ 300	$ 100	$ 200	SL	8	$ -	$ 25	$ 25
10 Chairs	2001	$ 100	$ 25	$ 75	SL	8	$ -	$ 9	$ 9
10 File Cabinets	2001	$ 300	$ 100	$ 200	SL	8	$ -	$ 25	$ 25
Table	2001	$ 2,000		$ 2,000	SL	8	$ -	$ 250	$ 250
Equipment	2001	$ 10,000		$ 10,000	SL	8	$ -	$ 1,250	$ 1,250
Sold Display	2001	$ (1,000)		$ (1,000)	SL	8	$ -	$ (125)	$ (125)
Total		$ 29,545	$ 645	$ 28,900			$ 4,606	$ 3,550	$ 8,156

Decreasing Charge Methods

The theory behind the use of the decreasing charge methods is that the asset is likely to suffer greater maintenance and repair costs in the later years of its economic life. In order to match revenues and expenses, the accountant should allocate a larger portion of the asset cost in the early years of use. The two most common methods for making this allocation are the Sum-of-the-years-digits and the Double Declining Balance.

Double Declining Balance Method

This method allocates the depreciation charge by (A) calculating a straight line depreciation rate, (B) doubling this rate, (C) applying the rate to the cost of the asset less any accumulated depreciation, (D) stopping the depreciation at salvage value. In our example, the depreciation schedule would appear as follows:

100% / 5 (Life Years) = 20%, 20% x 2 = 40%

Year #	Book Value	Factor	Depr. Exp.	Accum. Depr.	Net Book Value
1	6,500	.40	2,600	2,600	3,900
2	3,900	.40	1,560	4,160	2,340
3	2,340	.40	840 *	5,000	1,500
4	1,500	.40	-0-	5,000	1,500
5	1,500	.40	-0-	5,000	1,500

*You do not depreciate below salvage value

Sum of the Years Digits

Under this method the years in an asset's life are totaled. This sum becomes the denominator of a series of fractions used in allocating depreciation to the periods in the asset's service life. The numerators of the fraction are the years in the asset's life in reverse order. This method would produce the following depreciation schedule:

Year	Fraction	Basis*	Depr. Exp.	Accu. Depr.	Book Value
1	5/15	5,000	1,667	1,667	4,833
2	4/15	5,000	1,333	3,000	3,500
3	3/15	5,000	1,000	4,000	2,500
4	2/15	5,000	667	4,667	1,833
5	1/15	5,000	333	5,000	1,500 **
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* Cost - Salvage Value ** Salvage Value

Activity Methods

Units of Production

In some industries, such as mining, it may be more practical to allocate depreciation to units of production rather than to an estimated life. For instance, if the asset in our example was purchased to produce an estimated 100,000 widgets and 24,000 widgets were produced within a given year, the depreciation calculation for that particular year would appear as follows:

Cost	=	$11,500
Less salvage		- 1,500
Depreciable Base		$10,000 / 100,000 = .10/widget
Year's production =		24,000
Amount of depr/widget		x .10
Year's depreciation		$ 2,400

There are many other methods of depreciation in use by the accounting community. Many of these methods are used for income tax depreciation and have little value for the personal property appraiser. It would benefit the appraiser to make a study of the various regulations covering income tax methods such as those listed:

ACRS - Accelerated Cost Recovery Property
MACRS - Modified Accelerated Cost Recovery Property
CLADR - Class Life Asset Depreciation Range

Auditing the depreciation schedule

The first point of verification should be to determine that the total cost column is equal to the cost reported. Keep in mind that, due to the taxpayer's classification system, the costs may need to be considered in total for all schedules. Other amounts the taxpayer may have reported as cost are: "cost less salvage" of $28,900, net book which is cost, $29,545 less depreciation of $8,156 or $21,389, or cost of used property.

Although the basic integrity and honesty of reporting property owners may generally be assumed, errors in submitted data frequently occur. The errors, however, are quite often the result of misunderstanding. Different people may infer different meanings from written guidelines. For example, some taxpayers will report the book value they maintain for the Internal Revenue Service, while some will apply straight-line depreciation and report the depreciation value. In no event should net-book be used as an indication of true value.

In other instances, property owners will report current values derived from the marketplace or pricing guides. In the mind of each of these people the reporting requirement has been fulfilled.

All these approaches, however, are inappropriate for use in reporting personal property values. For personal property reporting purposes, we require that the report list the "original cost" to the owner and the year of acquisition. Depreciation will then be affected by application of the appropriate depreciation schedule as provided by the North Carolina Department of Revenue, Property Tax Division.

Double entry system

Accountants set up accounts to be used as the basis for preparing the balance sheet, income statement, and depreciation schedule. These accounts are either debited or credited depending on what type of accounts they are. For each transaction that occurs for a business, the entry on the accounts will be recorded with an equal amount of debits and credits. This is why the system that accountants use is called a double entry system.

Types of Accounts	Debits	Credits
Asset Accounts	Increase	Decrease
Liability Accounts	Decrease	Increase
Equity Accounts	Decrease	Increase
Expense Accounts	Increase	Decrease
Revenue Accounts	Decrease	Increase

The following is an example of how double entry system works with different transactions.

Purchase of Equipment (Asset) with Cash (Asset)

Date	Description	Debit	Credit
10/94	Equipment	$2,000	
	Cash		$2,000

Purchase of Equipment (Asset) with Credit (Liability)

Date	Description	Debit	Credit
10/94	Equipment	$7,000	
	Accounts Payable		$7,000

Purchase of Section 179 Asset (Asset) with Cash (Asset)

Date	Description	Debit	Credit
10/94	Depreciation Expense	$15,000	
	Cash		$15,000

After the transaction is recorded in the ledger, they are posted to their respective accounts. The normal method of showing this is with the “T” accounts:

Cash

Debit	Credit
	10/94 $2,000
	10/94 $15,000

Equipment

Debit	Credit
10/94 $2,000	
10/94 $7,000	

Account Payable

Debit	Credit
	10/94 $7,000

Depreciation Expense

Debit	Credit
10/94 $15,000	

In North Carolina, we require taxpayers to report property at it's original cost to the original owner in the year acquired by the original owner. One of the reasons for this is that the sale to the current owner may not be a market value transaction. If the transaction were the result of a distressed sale, the acquired cost listed to the second owner would probably be well below market. On the other hand, a taxpayer may pay much more than the market value of the tangible assets alone for an entire business because of the good name of the business that he purchases. This excess price paid is called goodwill and is not taxable in North Carolina. A taxpayer may elect to book the cost of the assets inclusive of the goodwill, without listing goodwill as a line item itself. This would cause the taxpayer to list inflated cost figures and would cause the auditor to pick up inflated costs as well. An accountant might book the cost this way because of the income tax advantage. Building, furniture, and equipment are depreciable. If goodwill had been capitalized, it would not be depreciable as rapidly as fixed assets. Depreciating reduces net income, therefore, reducing income taxes. For this reason, transactions including goodwill should be recorded with a provision for goodwill. Even if this is the case, the general rule is to accept original cost to the original owner. This information might only be recovered from the books of the original owner.

Fully Depreciated Assets

Fully depreciated assets are those assets that have a zero book value remaining. It is important to keep an eye out for two situations regarding fully depreciated assets.

1) Fully depreciated assets still in the possession of the taxpayer are taxable. Sometimes accountants will assume that if it is fully depreciated, it has no value and is no longer taxable. This is absolutely not the case. County appraisers still appraise property at its residual value as long as the property is realizing its intended purpose.

2) Since fully depreciated assets are of no use to the accountant, they may keep them on the books even after they are disposed of. So just because they are on the books, does not mean that the taxpayer still has possession of them. The auditor should require disposal records or some proof that the asset no longer exists. If the item is out of service and is simply being held in a warehouse somewhere for scrap or for no apparent reason at all, the property is still taxable. At this point, the property should be appraised at its salvage value, or the value of the component parts. This figure is typically between 5%-10% of the original cost. A more accurate value is the price it would sell for in an arms length transaction with the buyer assuming all removal costs.

When an asset is fully depreciated and written off, the transaction would look something like this for an asset costing $5,000.

Date	Description	Debit	Credit
12/31	Accumulated Depreciation	$5,000	
	Equipment		$5,000

Example of Journal Entries

The following are transactions by a company. Following the transactions are the corresponding general journal entries.

1) Started a business with $50,000 cash.
2) Purchased furniture on credit $9,000.
3) Purchased equipment with $10,000 cash
4) Recorded a year's depreciation on equipment
 (5 year life - straight line)
5) Purchase section 179 asset with cash $5,000
6) Record a year's depreciation on furniture
 (3 year life - straight line)
7) Record year 2 and 3 depreciation on fixed assets.
8) Wrote off furniture

General Journal Entries		Debit	Credit
1)	Cash	$50,000	
	Owner’s Equity		$50,000
2)	Furniture	$9,000	
	Accounts Payable		$9,000
3)	Equipment	$10,000	
	Cash		$10,000
4)	Depreciation Expense - Equip.	$2,000	
	Accumulated Depr - Equip.		$2,000
5)	Equipment Expense Cash	$5,000	
	Cash		$5,000
6)	Depreciation Expense - Furn.	$3,000	
	Accum. Depr. Furn.		$3,000
7)	Depreciation Expense - Equip	$4,000	
	Accum. Depr. Equip.		$4,000
	Depreciation Expense - Furn	$6,000	
	Accum. Depr. Furn		$6,000
8)	Accumulated Depr. Furn.	$9,000	
	Furniture		$9,000

When reviewing these accounts, note that items of interest to the auditor include the ones that are taxable along with a determination of what their original cost was.

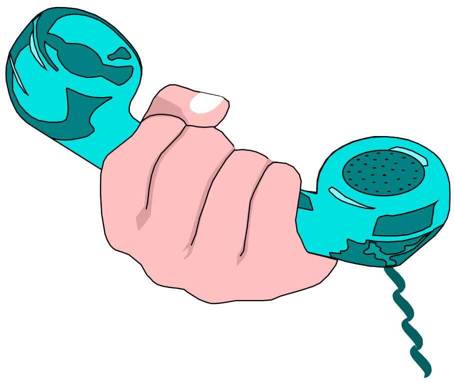
Furniture	$9,000
Equipment	$10,000
Equipment Expense (Sec. 179)	$5,000

GAAP requires that income statement accounts, such as equipment expense, are closed or zeroed out at the end of the period stated on the income statement. Since this account is of interest and will show a zero balance, the auditor may want to review the prior year’s income statement as well as the current year.

Conclusion

The taxpayer's accounting records are the most reliable source of information to the personal property auditor. Although certain figures and totals from the taxpayer's accounting records should equal the amounts listed on the personal property return, any experienced auditor will tell you that it is rarely the case. The auditor will eventually have to review the results with the accountant or taxpayer, who should provide backup documentation to prove any differences. Sometimes, the taxpayer would rather pay the discovery and penalties than change their accounting records, re-do their income tax returns and explain the changes to the IRS. Also, the Internal Revenue Code is so complex, you may encounter situations where items do not match at all. For example, a business may continue to take depreciation on an asset even after they have disposed of the asset, if that business meets certain conditions. Situations like these deviate from the norm, but we need to understand that this manual cannot possibly cover all possibilities you may encounter. Generally, if a business is carrying an asset on their depreciation schedule, we must first assume that the taxpayer is still in possession of the asset.

Section 6



Types of Personal Property Audits

Section 6 -- Types of Personal Property Audits

There are three main types of audits used in auditing for property tax purposes. We will spend some time on each of these in this class. The three types of audits are:

1. The review audit.

2. The informal audit.

3. The formal audit.

The review audit

The review audit is the simplest form of audit. The review audit is composed of three processes: the review part, the phone correspondence, and physical inspection. Every county should be able to conduct this type of audit because it mainly consists of comparing the listed information to other years and other like businesses.

The personal property appraiser has three major concerns in conducting a review audit. First, that everything that should be reported is included on the report submitted by the property owner. Second, that the cost data is correct. Third, that it represents original cost. Indications of the accuracy and reliability of the reported data and values may be developed in the office by comparing the property types and values reported with standard norms for the type of business activity. Comparison with norms will enable the county assessor to establish audit priorities. The further the property types and dollar values vary from the norms, the stronger the requirement for a formal audit is indicated.

The review audit is accomplished in the county assessor's office using source data submitted by the property owner on the Business Property Abstract. Each form submitted must be checked for mathematical errors. Each listing form should also be compared to last year's form. Many times there will not be a form for the previous year. When this happens, the appraiser must check to make sure the business is new and if it is not, how long the business has been in operation. If the business has been there for some time, a discovery for prior years may be in order. A comparison of the current year's abstract with the previous year's listing will many times raise questions concerning the current or previous year's listing. There are occasions when property is listed in the current year but not in the previous year. When this happens, the appraiser must determine if a discovery is warranted. In addition, personal property values and types reported must be compared with those reported by similar firms.

When reviewing the listing form that has been filed by a taxpayer, several questions should be resolved:

1. Does it appear that the taxpayer has rendered a full and complete return? This question concerns itself primarily with the type and quantity of property reported. Personal familiarity with the type of business involved will assist the appraiser in determining the validity of the report. An indication of the accuracy and completeness of the report may be established through use of the typical value ranges and/or the personal property square foot value ranges established for similar businesses.

   Comparison with returns submitted by similar businesses will also provide a good indication of the validity of the report submitted. In many cases, however, a physical inspection of the property may be necessary to fully resolve the question.

2. Is the appraised value in a reasonably acceptable range that results in uniformity and equality among taxpayers?

3. Is follow-up action through contact with the taxpayer and/or a formal audit of the property indicated?

Many times the review process will raise questions which can only be resolved by talking with the taxpayer or the person who prepared the return. This contact with the taxpayer can often be done over the telephone. By calling the taxpayer and resolving the questions, time and money are saved by both the county and the property owner. Sometimes additional information or documentation is needed to help resolve outstanding issues. The request can be made by telephone but should be followed with a written request. Occasionally, a property owner will not cooperate with the county appraiser or have the accounting records needed and a physical inspection of the business is necessary.

The physical inspection method should be used when the property owner will not or can not provide information to verify the filed listing or has refused to file a listing. The purpose of the physical inspection is to list each asset of the business. A part of the physical inspection is to utilize other sources of information to estimate the value of the property. Developing information on comparable properties can help the appraiser list the property in a physical inspection. Guidelines based on the cost per square foot of real property can be developed and used in this manner. An example of this would be fast food restaurants. If a dollar amount of personal property per square foot of building was developed, unlisted or under listed assets in restaurants could be listed by the appraiser using the cost information. Other guides that are available would be; green guide, trade magazines, office supply catalog and machinery and equipment retailers. All of these sources of information can be used to list or verify the listing of a business.

The informal audit.

Occasionally the review audit will lead to questions that cannot be resolved with a telephone call or a physical inspection to the business. In these cases, the appraiser must conduct an informal audit. The informal audit is sometimes referred to as the desk audit. It involves requesting the taxpayer to furnish the county with certain accounting records. Some of the records which are requested by auditors are:

1. A rendition or statement of the current year.

2. A balance sheet value for the previous year.

3. A detailed asset list and depreciation schedule of all assets owned by the company as of January 1 of the year in question.

4. An income statement of lease information materials and supplies, and repairs and maintenance expenses for the prior year.

These accounting records will be discussed in the next section. The biggest advantage to the informal audit is that there is less travel and therefore the informal audit is more cost effective for smaller accounts. The examination and verification process in the informal audit are much like those of the formal audit. This process will be covered in the rest of this class.

Formal Audit.

There are times when a formal audit needs to be conducted by the county assessor's office. There are six steps in the formal audit:

1. Selection of businesses to audit.
2. Notification to the business being audited.
3. Preparing for the audit.
4. Conducting the actual audit.
5. Finalizing the audit.
6. Reporting of the findings.

1. The selection process.

The question is often asked, "Why me?", or "How was my company selected for audit?" The first step in the formal audit process is the selection of which businesses to audit. There are many different ways a company is selected by a county for an audit. The following is a brief discussion of several of the more popular methods.

> Random Selection -- Using this method the auditor will choose accounts by a random selection of account numbers. This method is especially useful in a new program where no taxpayers or a group of taxpayers has been identified as requiring an audit.
>
> Type of Business -- This method is used to select accounts based on similarity. The use of this method allows the audit staff to review all of the taxpayers of a particular type of operation at one time. Using this method provides an opportunity for the audit staff to gain considerable expertise in a particular industry.
>
> Results of Review or Informal Audit -- As each business account is worked, the appraiser should make notes of any questions concerning the listing. If the auditor has questions that indicate that the account warrants a more detailed audit, the taxpayer can be scheduled for a detailed examination.

Because of the time constraints imposed by statute, each business property account should be audited at least once every five years. Those accounts where there is evidence of repeated violations should be audited frequently enough to convince the taxpayer that the tax office is diligent in the enforcement of listing requirements.

2. Notification of business being audited.

A notice should be sent to the owner of the business which is going to be audited. The notice should be specific as to what data is requested, the date when the data should be returned, and the legal authority for making the request. The taxpayer being audited must be notified in writing at least 10 days prior to the audit. A sample letter follows.

Anywhere County Business Owner:

In accordance with the General Statutes of the State of North Carolina, the Anywhere County assessor's office is conducting audits of business taxpayers. Therefore, to insure that all taxpayers have been equitably assessed, it is necessary to verify the Personal Property Listings that were filed.

(name of auditor), Auditor for the Personal Property Division, will be present at your place of business in (location) on (date). Please call (telephone number) if you wish a specific time prior to the specified date.

Please have the necessary records available (depreciation schedule, general ledger, balance sheet income statement and supporting journals) so that our auditor can establish the original cost and year-of acquisition of all assets at this location as of December 31, (year).

If your business records are maintained by an accountant at his/her place of business, please complete the statement below, sign and return this letter to (address). After a visual inspection of your property on the scheduled audit date listed above, we will contact your accountant by letter for an appointment to review your records.

Yours truly,

Personal Property Auditor

I/We, hereby give permission for you and /or your representative to examine the accounting records of this company at our accountant's place of business located at:

______________________	______________________
Accountant's Name	Accountant's Address

______________________	______________________	______________________
Signature of Taxpayer	Official Title	Telephone

____

Date

3. Preparing for the audit.

It is essential that the auditor prepare for the audit well in advance of the actual audit date. One of the first things to do is to contact the taxpayer by telephone to confirm the audit date and the availability of the records which were requested. It is also a good idea to find out if someone from the company will be available to answer any questions. Other preparations which need to be made are:

1. Review the prior history of the taxpayer.
2. Obtain any prior audit that may have been completed and note any discrepancies discovered at that time.
3. Review the real property records of the taxpayer. Discuss the property with the real property appraisers.
4. Check for any building permits issued to the taxpayer. Building permits may indicate an expansion of real property which could mean more equipment.
5. Review listing forms of the taxpayer for leased or rented equipment.
6. Research all information that is available on the taxpayer so you will be familiar with the type of business that is being audited.
7. Be sure to have a copy of all the personal property returns for the years under audit.

4. Conducting the actual audit.

When the auditor arrives at the audit site on the scheduled date, he/she should conduct an initial interview with the company official who has been assigned to assist with the audit. Examples of some questions an auditor might ask are:

1. How does the company record assets, as fixed assets or not?

2. What is the capitalization threshold of the company and has it changed lately?

3. How does the company handle taxes, installation, freight and other soft costs?

4. How does the company handle its fully depreciated assets?

5. What are the disposal practices of the company?

6. Does the company have any leased equipment and what type of leases are they?

7. Did the company acquire the building, equipment, and computers new or did they purchase an existing operation?

8. How does the company handle repairs and maintenance?

After the initial interview is completed, a tour of the facilities may be in order. While going through the plant, observe the age, condition, and type of equipment located there. It may be helpful to write down a few large and small items that you can check when going through the accounting records. The larger items can be checked to see if all costs have been listed and the small items can be checked to see if they were expensed. It is always helpful to be able to talk to the plant manager or engineer concerning the equipment.

Next, the accounting and financial records of the taxpayer would be reviewed. Be sure to check to see that the depreciation schedule ties to the balance sheet. If it does not, then an explanation should be obtained from the taxpayer. The following outline is intended to be used as a guide in examining records. However, many audit situations will require specialized efforts not specifically described.

BASIC PROCEDURE #1

I. Trade Fixtures and Commercial and Industrial Equipment

a. Extract all items from depreciation schedule listing year of acquisition and cost.

b. Verify depreciation schedule to fixed asset accounts of general ledger and/or balance sheets.

c. Verify balance sheet fixed asset totals against general ledger.

d. When cost of fixed assets of a going business exceed the cost that can be identified with the tangible assets acquired, check for goodwill or other intangibles which are not taxable.

e. Verify that the depreciation bonus has not been deducted from original cost for reporting purposes.

f. Check write-off of fixed assets. If asset has not been salvaged, traded, sold, or abandoned, but instead is retired and still in use, it is reportable.

g. Verify that original cost has been used in reporting rather than book values.

h. Verify that the cost of an asset does not include interest on carrying charges and taxes. Often the taxpayer claims that it does, since in smaller businesses taxpayers do not deduct such items and carry them as expense.

i. Verify that self-constructed items have been reported. Look for indication of any advance payments. Use accounting procedures to determine asset value.

j. Patterns and dies used for normal productive activities should be verified and are reportable. Must verify the situs of these items. When limited to use in the manufacture of a special order job, the cost is recognized as part of the cost of the order.

k. Verify all registrations of motor vehicles to determine whether or not mounted equipment was reported with vehicle assessment. If not, pick up as a reportable item. Auditor may want to add the value of mounted equipment to motor vehicle and bill as one unit.

l. Returnable containers and pallets are depreciable assets used in a business. Verify amount on hand on lien date whether capitalized item or an expensed item.

m. Businesses often set a dollar level at which an item is expensed out or capitalized. A spot check of expense items in the general ledger should reveal any assets considered taxable.

n. Machine and hand tools are reportable assets. However, because of low individual cost and short life, pick up as an initial investment single asset. Any material increases are reportable, while replacement should be ignored.

o. If a fixed asset is found for which there is no record due to retirement, a value and life must be determined. A possible source of information to determine value is through insurance policies. Care must be used because of co-insurance clauses.

p. While the law states that all tangible property is assessable, common judgment should determine whether an item which is not capitalized should be classified as a reportable asset. Examples: warranty costs and training costs.

q. Determine the amount of supplies on hand on the assessment date.

r. Determine if there are any assets held as construction in progress.

s. Verify if there are any section 179 assets.

II. Leased or Rented Equipment and Fixtures

a. Verify if there were any leased or rented fixtures or equipment on sites on the lien date.

b. Check lease agreements to determine personal property responsibility.

c. Verify cost and acquisition date with lessor if such information is not available on the lease agreement.

d. Lessors may try to avoid tax responsibility on leased equipment and fixtures to tax-exempt organizations by the use of open-end conditional sales contracts. Verify this by checking the records of both parties to determine which party capitalizes the asset.

III. Vending Machines

a. Verify ownership, make, model, and capacity of vending machines to responsible party's personal property tax returns.

BASIC PROCEDURE #2

Audit Procedures - Overall

1. Obtain copies of taxpayer's chart of accounts and trial balance for the fiscal year ending closest to January 1 of the reviewed tax year. Compare the trial balance to the general ledger. Reconcile any differences.

2. Obtain a copy of the depreciation schedule or detailed asset listing for the fiscal year ending closest to January 1, of the reviewed tax year. Compare the total value shown on the schedule to the trial balance and general ledger. Reconcile any differences.

3. Obtain copies of the Federal and State income tax returns for the fiscal year ending closest to January 1, of the reviewed tax year. Compare the property amounts shown on the income tax returns to the amounts on the trial balance and general ledger. Reconcile any differences.

4. Obtain a copy of the annual report, or audited / internal balance sheet and income statement for the fiscal year ending closest to January 1, of the reviewed tax year. Compare the total value shown on the statements to the trial balance, general ledger, and income tax returns. Reconcile any differences.

5. If the property owner's fiscal year ends sometime other than January 1 (or December 31), obtain copies of the trial balance and internal financial statements as of January 1, of the reviewed tax year. Reconcile any differences.

Audit Procedures – Machinery & Equipment

1. Compare the equipment cost reported on the property tax return to the trial balance and general ledger. If the amounts do not agree, prepare a reconciling schedule and discuss the differences with the taxpayer. Document findings.

2. If the fiscal year date of the depreciation schedule is other than January 1 of the tax year being audited:

    a. Obtain a schedule of equipment purchases and disposals for the period between January 1 and the fiscal year date.

    b. Review the general ledger for this period for any large or unusual items going through the equipment accounts.

3. Perform a walkthrough of the taxpayer's facilities:

    a. Select certain items from the depreciation schedule. Locate these items on the floor.

    b. Select certain items located on the floor and trace back to the depreciation schedule.

    c. Identify equipment which may not have been listed as personal property and was not appraised as real property such as: process piping, power wiring, racks and shelving, HVAC and other items.

4. For each of the equipment items selected in Step 3 above:

    a. Obtain copies of supporting documents (vendor invoices, purchase orders, etc.) which substantiate the cost amounts used on the depreciation schedule.

    b. Discuss any exceptions found with property owner.

5. Inquire about expensed (Section 179) assets, and determine if these items are included on the depreciation schedule. If not, request a schedule of all expensed assets still in use on January 1 but not reflected on the depreciation schedule.

6. Scan the chart of accounts, trial balance, and general ledger for various small tools expense accounts. Determine if the property recorded in these accounts was reported correctly.

7. Scan the chart of accounts, trial balance, and general ledger for maintenance expense accounts. Determine if any property recorded in these accounts was reported correctly.

8. Review the trial balance and general ledger to determine if there are accounts set up for building equipment and construction in progress. Determine if the property recorded in these accounts has been reported correctly on the property tax return.

9. Inquire about leased equipment. Determine if the leases are capital leases or operating leases. Be sure all leased property is listed by the owner, but not double listed.

10. Inquire about pollution abatement equipment and recycling equipment. Determine if these have been listed or if there is an exemption application and certification filed with the county assessor.

Throughout the audit process, it is absolutely essential that the auditor develop and maintain an audit trail. This trail will allow the auditor to go back and answer questions well after the audit is complete. Audits lead to discoveries and discoveries lead to appeals and court cases. An auditor must be able to defend and explain the audit results. Without an audit trail, this would be just about impossible with all the audits conducted in a year's time.

5. Finalizing the audit.

If the audit indicates that the taxpayer has listed correctly and that any differences are immaterial then just state so. If the audit finds property that has not been listed or property which has been under listed, then the value of the difference must be determined. It is at this point that the auditor becomes an appraiser or has to turn the findings over to an appraiser to place a value on the property. In North Carolina, discovered property is defined in 105-273(6a) as :

a. Property that was not listed during a listing period.

b. Property that was listed but the listing included a substantial understatement.

c. Property that has been granted an exemption or exclusion and does not qualify for the exemption or exclusion.

A discovery would be issued for any of the years in which property was found listed incorrectly. G.S. 105-312 allows the counties to discover property for the current year plus the five previous years, if the property was not listed or under listed during those years. The appraiser is to use the values in place for each of the years for which a discovery is made. Each year is calculated separately using the values in place for each year.

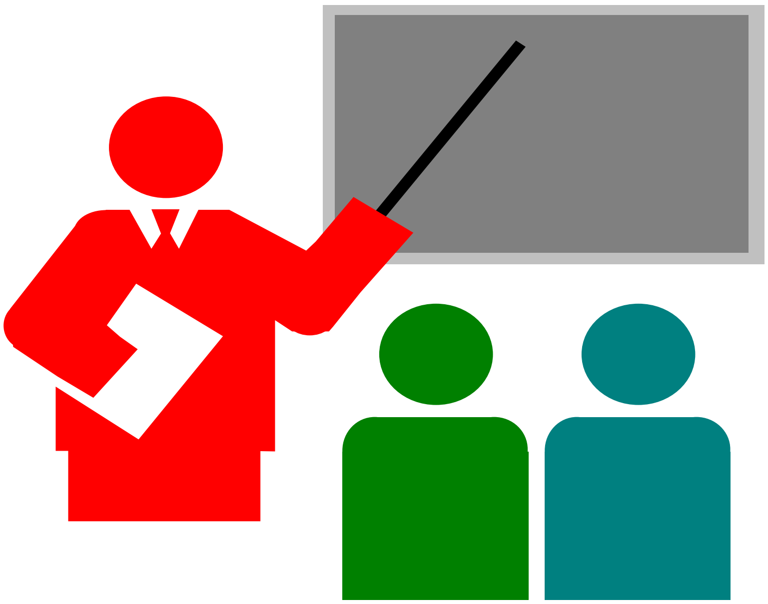
6. Reporting the findings to the taxpayer.

The county is to notify the taxpayer of the findings in the form of a discovery notice. G.S. 105-312(d) requires the following information to be on the notice:

(1) The name and address of the person in whose name the property is listed;
(2) A brief description of the property;
(3) A tentative appraisal of the property;
(4) A statement to the effect that the listing and appraisal will become final unless written exception thereto is filed with the assessor within 30 days from date of the notice.

This notification starts the appeal process for discoveries pursuant to G.S. 105-312(d). The appeal process will be discussed later in the next section of this manual.

Section 7



Conclusion

Section 7 -- Conclusion

The Appeal Process.

Once the audit has been completed and the discovery notice has been mailed to the taxpayer, the appeal process begins and continues until the value is finalized. The appeal process for discovered property pursuant to G.S. 105-312(d) is outlined below:

1. Taxpayer has 30 days from date of notice to take written exception to the discovery.

2. Upon receipt of a timely exception to the notice of discovery, the assessor shall arrange a conference with the taxpayer to afford him the opportunity to present any evidence or argument he may have regarding the discovery.

3. Within 15 days after the conference, the assessor shall give written notice to the taxpayer of his final decision. Written notice shall not be required, however, if the taxpayer signs an agreement accepting the listing and appraisal.

4. In cases in which agreement is not reached, the taxpayer shall have 15 days from the date of the notice to request review of the decision of the assessor by the board of equalization and review, or if that board is not in session, by the board of commissioners. Unless the request for review by the county board is given at the conference, it shall be made in writing to the assessor.

5. Upon receipt of a timely request for review, the provisions of G.S. 105-322 or G.S. 105-325, as appropriate, shall be followed.

6. Taxpayer has 30 days from the notice of the appropriate board's decision to appeal to the North Carolina Property Tax Commission.

7. The decision of the North Carolina Property Tax Commission can be appealed to the North Carolina Court of Appeals and then to the North Carolina Supreme Court if necessary.

Taxability appeals

The taxability and value of all and any property that has been discovered may be appealed to the Property Tax Commission. If taxpayers can produce satisfactory evidence that the property was not in existence, that it was actually listed for taxation, or that it was not his duty to list the property during those years or some of them under the provisions of G.S. 105-302 and G.S. 105-306, the discovery should be released. If the situs of the property can be demonstrated to not be in the county which discovered the property, the discovery should be released and the appropriate county contacted.

Discoveries and Exemptions

When an owner of property fails to list property as mandated by G.S. 105-285 the county assessor is required to discover the property for each tax year the property goes unlisted not to exceed the current year plus the five preceding years. If the owner, upon appeal of the discovery demonstrates that the property meets the conditions for exemption or exclusion, the hearing body may approve the application. This is true for all years in which property is discovered.

Situations come up where the owner lists and pays taxes on property that would have been exempt if an application had been filed with the county assessor. The owner decides the next year that the property should have been exempt and wants to file a late application in that year for the previous year. The statutes do not allow for an application for exemption to be approved for a previous year if the property has been listed by the owner.

The case of Weyerhaeuser Company vs. Craven County, heard by the North Carolina Court of Appeals in September 1996, addresses this issue. In this case, Craven County discovered property for prior years. Pollution abatement equipment was part of the discovery. Under G.S. 105-282.1(c) the county allowed the exemption on the pollution abatement equipment. The taxpayer realized after the discovery was issued that it had listed and paid taxes on other pollution abatement equipment. The taxpayer made application for exemption for prior years and the county denied the application. The North Carolina Property Tax Commission upheld the county's decision and the Court of Appeals agreed. The Court stated "In this case, however, appellant stipulated that it had listed the equipment at issue. Thus G.S. 105-282.1(c) does not apply." This case makes two issues clear: 1) A late application for exemption can only be approved if filed during the calendar year in which the taxes are due. 2) Property that is listed by the owner cannot be exempted for prior years under G.S. 105-282.1(c).

Real vs. Personal Property

Many times, the appeal is not whether or not the personal property is taxed but whether or not the property has already been taxed once as real property. Taxpayers will claim that the property which is discovered is real property and is already assessed in the value of the building. In general, machinery and equipment used primarily as part of a manufacturing process (process equipment) is taken as personal property. Machinery and equipment which is part of the land or building improvement is taken as real property. It is very important that the personal property appraiser work with the real property appraiser to be sure as to what property is real and which is personal. The county’s schedule of values used in its reappraisal should indicate which items are real and which items are personal property.

Ghost Assets

Many times, companies will claim the assets which are on their books have been disposed of and are no longer taxable. Some of these items may be part of the discovery, and if satisfactory evidence is produced by the taxpayer to prove this, then those assets should be released from the discovery. More often the taxpayer will come in after a discovery is issued and claim that they have listed assets which have been disposed of and they will want an adjustment. The "ghost asset" issue should be kept separate from the discovery. The value of the ghost assets should not be used to off set part of the discovery. The ghost assets are a refund issue and fall under G.S. 105-381. A request for refund should be made to the appropriate governing body. The decision to refund should be made by the board and should only be granted if satisfactory evidence is produced by the taxpayer showing when the assets in question were disposed. It is very difficult to prove today that something was not there two years ago. Caution should always be used in issuing refunds.

Valuation Appeals

The value of the discovered property can always be appealed. If this takes place then the appraiser has to determine what actually was discovered. The best way to explain this is with the use of examples.

Taxpayer A owns 10 bulldozers, and on each January 1, lists only 5 of the bulldozers. County Z does a discovery on the 5 unlisted bulldozers for the current plus 5 years. The taxpayer appeals the discovery. In this example, the only property which can be appealed are the 5 unlisted bulldozers. The value of these 5 bulldozers are in question for all six years.

Taxpayer B owns 10 bulldozers, and on each January 1, lists half the cost of each bulldozer. County Z does a discovery on the under listed cost for the current plus 5 years. The taxpayer appeals the discovery. In this example, the value of all 10 bulldozers are in question and under appeal for all six years.

A discovery of property opens up the value question for each of the years the property was discovered. If part of the cost of the property is discovered, the total value is in question. You cannot appeal the value of 1/2 of a machine.

Compromise of the Discovery

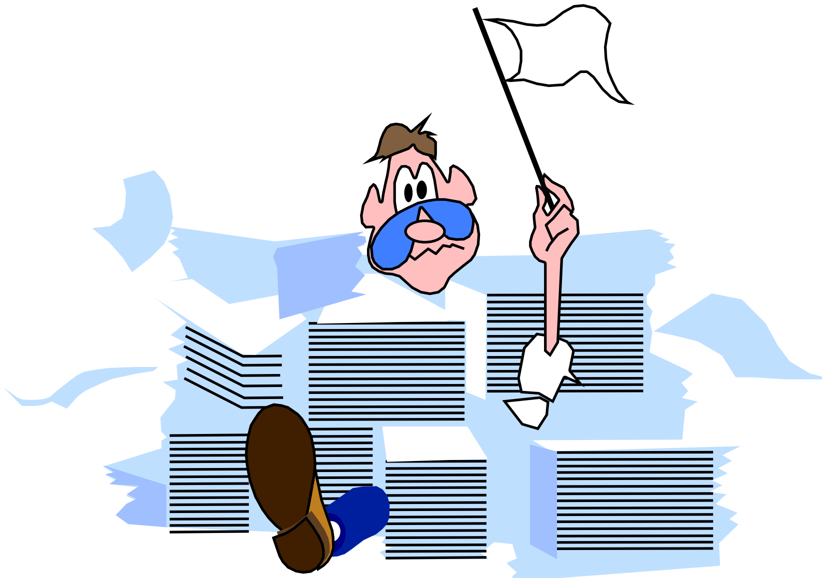
G.S. 105-312(k) allows the county board after a tax receipt computed and prepared as required by subsections (g) and (h) of this section has been delivered and charged to the tax collector as prescribed in subsection (j), above, upon the petition of the taxpayer, to compromise, settle, or adjust the county's claim for taxes arising therefrom. The board of commissioners may, by resolution, delegate the authority granted by this subsection to the board of equalization and review, including any board created by resolution pursuant to G.S. 105-322(a) and any special board established by local act. The taxpayer has the right to appeal a discovery. These matters are heard by the county board who renders a decision. From this decision, the taxpayer may appeal to the North Carolina Property Tax Commission, and ultimately, to the Court of Appeals. During this entire time needed for these appeals G.S. 105-378(d) allows for a bill to be created and issued, but the tax collector may not seek collection of taxes or enforcement of a tax lien until the appeal has been finally adjudicated. It is simply impossible to have a lawful hearing before either board during which time both of the discovery issues arising under subsection (k) are being addressed.

This arrangement creates messy situations where the taxpayer offers to accept the county's appraisal in exchange for a reduction of penalties. These arrangements are extremely undesirable for two reasons:

1. It is important, in order for future appraisals to be accurate, that the true value of the taxpayer's property be determined

2. Once accurate values are established, there is usually no reason to reduce the penalties, because the penalties are really in lieu of interest. Waiver of any portion of the discovery penalties usually means that this taxpayer, who did not list properly and held money that should have actually been the county's tax dollars, caused the county the trouble of the discovery process and yet this taxpayer gets rewarded over taxpayers who accurately listed their property and paid the tax in the first place.

Case Problems



Case Problem #1

Overview

1. What is the definition of an audit?____

   ____

2. GAAP is an acronym for what?____

3. GAAP is established by what board?____

4. List four reasons why counties should have an audit program:

   ____

   ____

   ____

   ____

5. Accumulated depreciation is ____

6. What value are we trying to reach in appraising business personal property?____________________

7. The ownership, value, and situs of personal property are determined as of what date?______________

8. T or F An abstract may be signed by a CPA working under a contract for a business?

9. T or F A taxpayer has 15 days to appeal to the PTC from a decision of the county board?

10. T or F Only after an abstract has been carefully reviewed by the assessor; can the taxpayer be required to submit detailed financial records?

11. T or F Under North Carolina statutes a taxpayer has 30 days from the date of first notification of value to appeal their personal property value?

12. T or F Under the current law counties can not hire an audit firm on a contingency contract?

13. Whenever any personal property is appraised, it is the duty of the appraiser to consider elements affecting value. Which of the following has the least effect on value and should **not** be considered by the appraiser?

    A. The replacement cost of the property.

    B. The age of the property.

    C. The physical condition of the property.

    D. The utility of the property.

    E. The effect of obsolescence on the property.

    F. The taxpayer's book value of the property.

14. The limitations for assessing property which has not been listed or listed at a substantial understatement of value is five (5) years plus the current year. With the use of the following information, determine the tax liability including penalties to be assessed. (Assume the discovery is made 3/31/05.)

Year	Correct Value	Value As Listed	Tax Rate
2004	$17,000	$ 7,000	$ .90
2003	18,000	5,000	.95
2002	15,000	3,000	1.10
2001	22,000	11,000	1.05
2000	30,000	15,000	1.00

15. Yes or No In the above discovery would the amount of liability be different if the taxpayer had an extension of time for listing until April 15, 2005.

CASE PROBLEM 2, TAXPAYER COMPLIANCE

1. T or F Every county in North Carolina can have some type of taxpayer compliance program regardless of what size they are or how much money is in the budget.

2. A database of records containing all businesses in your jurisdiction in location order used to organize information about the businesses in your jurisdiction is called a ____________________.

3. T or F If a business has a location in several North Carolina counties, including your jurisdiction, there is no way to get a comprehensive report containing a breakdown of property on a county by county basis.

4. T or F An exempt organization, although not required to list their own exempt property, must still file a report of tangible personal property in their possession owned by others.

5. If an operator of a house trailer park, marina, or aircraft storage facility fails to make the required reports under §105-316, they shall be liable to the county in which the property is taxable for a penalty to be measured by any portion of the tax on the personal property plus $__________.

6. The Department of Revenue may furnish certain information to a local tax official who may use the information to secure a complete property tax listing and for other purposes listed under §105-289(e)(2). Circle the following that are not local tax officials and therefore are not privileged to see the above tax information.

   a. County attorney
   b. County assessor
   c. Assistant county assessor
   d. County finance officer
   e. County manager
   f. Vice-Chair of County Commissioners
   g. County Collector

7. T or F The Machinery Act makes it illegal to disclose local tax records that contain information about a taxpayer's income or receipts.

8. T or F The listing form is a public document.

9. T or F Federal laws allow counties to require social security numbers if it is for the administration of a tax, however there is no state law which empowers the federal law, therefore counties cannot make disclosure to the tax office mandatory unless the county complies with the Identity Theft Protection Act of 2005.

Case Problem 3, Machinery & Equipment Auditing

An analysis of Glasco Corp. accounting records reflects the following expenditures for the year 2004 which have not been capitalized by Glasco and reported for property tax purposes in 2005.

Expense Journal

1	$7,000	Replace broken chains in overhead hoist
2	$4,000	Repair motor in boiler
3	$700	Repair brick kiln damaged by fork lift
4	$125,000	Rebuild inside brick kiln wall as required every l0 years by OSHA
5	$1,400	Replace worn belts on conveyor system
6	$3,600	Repairs (general)
7	$6,800	Increase electrical voltage for additional boiler system
8	$5,000	Freight for shipping boiler equipment

In your opinion, should any of the above costs be capitalized rather than expensed, and therefore reported for property tax purposes? If so, which items?

Now capitalize the expense amount on line 8 as a 2004 acquisition and depreciate the property as an accountant would on a 5-year life with no salvage value using the straight-line method of depreciation.

Fill in the blanks below:

Instead of $________________being allowed in depreciation expense when expensed by the taxpayer, the amount of depreciation expense allowed per year on the above capitalized cost will be $_________________. This change would not only be reflected on the Expense Journal, but also on which of the following?

a) Balance Sheet
b) Income Statement
c) Depreciation Schedule

T or F At the end of year 5, the asset is fully depreciated for income tax purposes and does not need to be listed for property tax purposes since the net book value is zero.

Prim and Proper Corp
General Ledger
Year Ending Dec 31, 2004

Account		Beg. Balance	Dr.	Cr.	Ending Balance
1010	Cash	20,000		10,000	10,000
1020	Accounts receivable (net)	15,000	5,000		20,000
1030	Note receivable	5,000		1,500	3,500
1040	Inventories	75,000		15,000	60,000
1050	Pre-paid expenses	5,000		500	4,500
1070	Long-term CD	55,000			55,000
1080	Land	150,000			150,000
1090	Buildings	410,000			410,000
1110	Furniture	27,000	18,000		45,000
1120	Computer	62,000	3,000		65,000
1130	Equipment	155,500	24,500		180,000
1140	Leaseholds Improvements	70,000			70,000
1150	Accumulated depreciation PPE	280,000		40,000	320,000
1170	Goodwill	0	30,000		30,000
1180	Other assets (cip)	8,000	7,000		15,000
2010	Accounts payable	55,500	10,500		45,000
2020	Taxes payable	7,000		1,000	8,000
2040	Customer deposits	12,000			12,000
2050	Current portion of Long term debt	12,000		2,000	14,000
2080	Mortgage debt payable	210,000	10,000		200,000
2090	Notes payable	3,000			3,000
2100	Deferred income tax	3,500			3,500
3010	Common Stock	10,000			10,000
3020	Additional paid-in capital	25,000			25,000
3100	Retained Earnings	160,000		17,500	177,500
4010	Sales				
4030	Interest revenue				
5010	Inventory cost				
5020	Intercompany cost				
5030	Material variances				
5040	Labor variances				
5080	Selling and manufacturing expenses				
5090	General expenses				
5100	Administrative expenses				
5200	Interest expenses				
5300	Income tax expense				

Prim and Proper Corp
Balance Sheet
Year Ending Dec 31, 2004

Current Assets				
1010	Cash		10,000	
1020	Accounts receivable (net)		20,000	
1030	Note receivable		3,500	
1040	Inventories		60,000	
1050	Pre-paid expenses		4,500	
	Total current assets			98,000
Long Term Assets				
1070	Long-term CD			55,000
1080	Land		150,000	
1090	Buildings	410,000		
1110	Furniture	45,000		
1120	Computer	65,000		
1130	Equipment	180,000		
1140	Leaseholds Improvements	70,000		
	Total	770,000		
1150	Less accumulated depreciation	-320,000	450,000	
	Total property, plant & equipment			600,000
Intangible Assets				
1170	Goodwill			30,000
1180	Other assets (cip)			15,000
	Total Assets			**798,000**
Current Liabilities				
2010	Accounts payable		45,000	
2020	Taxes payable		8,000	
2040	Customer deposits		12,000	
2050	Current portion of Long term debt		14,000	
	Total current liabilites			79,000
Non-current Liabilities				
2080	Mortgage debt payable		500,000	
2090	Notes payable		3,000	
2100	Deferred income tax		3,500	
	Total non-current			506,500
Stockholders Equity (Simplified)				
3010	Common Stock		10,000	
3020	additional paid-in capital		25,000	
	Total paid-in capital		35,000	
3100	Retained Earnings		177,500	
	Total stockholders equity			212,500
	Total Liabilities and Stockholders Equity			**798,000**

Prim and Proper Corp
Chart of Accounts

1010	Cash
1020	Accounts receivable (net)
1030	Note receivable
1040	Inventories
1050	Pre-paid expenses
1070	Long-term CD
1080	Land
1090	Buildings
1110	Furniture
1120	Computer
1130	Equipment
1140	Leaseholds Improvements
1150	Accumulated depreciation PPE
1160	undefined
1170	Goodwill
1180	Other assets (cip)
2010	Accounts payable
2020	Taxes payable
2040	Customer deposits
2050	Current portion of Long term debt
2080	Mortgage debt payable
2090	Notes payable
2100	Deferred income tax
3010	Common Stock
4010	Sales
4020	Dividend Income
4030	Interest revenue
4040	undefined
5010	Inventory cost
5020	Intercompany cost
5030	Material variances
5040	Labor variances
5080	Selling and manufacturing expenses
5090	General expenses
5100	Administrative expenses
5200	Interest expenses
5300	Income tax expense
5400	R & D expense

Prim and Proper Corp
Trial Balance
Year Ending Dec 31, 2004

	Dr.	Cr.
Cash	10,000	
Accounts receivable	20,000	
Note receivable	3,500	
Inventories	60,000	
Pre-paid expenses	4,500	
Long-term CD	55,000	
Land	150,000	
Buildings	410,000	
Equipment	360,000	
Acc. Depr. Building & Equipment		320,000
Accounts payable		45,000
Stockholders Earnings		35,000
Retained Earnings		177,500
Sales		1,500,000
Interest revenue		9,000
Purchases	388,500	
Selling and manufacturing expenses	120,000	
General expenses	225,000	
Administrative expenses	130,000	
Interest expense	40,000	
Income tax expense	110,000	
	2,086,500	2,086,500

Prim and Proper Corp
Depreciation Schedule
Year Ending Dec 31, 2004

Asset Class	Asset Number	Description	Date Acquired	Book Cost	Sec 179	Asset Life	Current Depreciation	Accum. Depreciation	Net Book Value
1080	001	Land Acq.	1980	100,000					
1080	003	Land	1999	50,000					
		Total		150,000					
1090	002	Building	1980	150,000		30	5,000	120,000	30,000
1090	005	Building	2000	200,000		30	6,667	26,667	173,333
1090	004	Pool	2000	60,000		15	4,000	16,000	44,000
		Total		410,000			15,667	162,667	247,333
1110	010	Desk	1982	140		10	0	140	0
1110	015	Typewriters	1983	250		10	0	250	0
1110	020	File Cabinet	1984	140		10	0	140	0
1110	025	Hall carpet	1980	400		10	0	400	0
1110	030	Bookcase	1984	170		10	0	170	0
1110	035	Exec Desk	1982	260		10	0	260	0
1110	040	Calculator	1983	80		10	0	80	0
1110	045	Tables	1986	120		10	0	120	0
1110	050	Chairs	1986	110		10	0	110	0
1110	055	Counters	1990	300		10	0	300	0
1110	060	Pictures	1990	420		10	0	420	0
1110	065	Wall Mural	1992	75		10	0	75	0
1110	070	Partitions	1995	800		10	80	800	0
1110	075	Telephones	1995	120		10	12	120	0
1110	080	Telephone wiring	1995	1,000		10	100	1,000	0
1110	085	Credenza	1997	160		10	16	128	32
1110	090	Chairs	2000	120		10	12	60	60

1110	095	Desk	1999	110	10	11	66	44
1110	100	Copier	2000	800	10	80	400	400
1110	105	Wall paper	2000	1,800	10	180	900	900
1110	110	Ceiling fans & Lighting	2000	1,200	10	120	600	600
1110	115	Oak Stands	2000	75	10	8	38	37
1110	120	Security system	2003	2,500	10	250	500	2,000
1110	125	Sales tax	2002	880	10	88	264	616
1110	130	Oak Bookcase	2001	200	10	20	80	120
1110	135	Hiback chairs	2002	600	10	60	180	420
1110	140	Ocean Blue Carpet	2003	3,400	10	340	680	2,720
1110	145	Mail room slots	2002	420	10	42	126	294
1110	150	Refrigerator	2000	250	10	25	125	125
1110	155	Cumputer leased	2002	4,500	10	450	1,350	3,150
1110	160	Tall cabinet	2004	1,200	10	120	120	1,080
1110	165	Short cabinet	2003	100	10	10	20	80
1110	170	Lamps	2004	480	10	48	48	432
1110	175	Couch	2003	300	10	30	60	240
1110	180	Alarm system	2003	3,500	10	350	700	2,800
1110	185	Intercom system	2000	1,400	10	140	700	700
1110	190	Freight on Carpet	2003	300	10	30	60	240
1110	195	Gazebo	2004	2,500	10	250	250	2,250
1110	200	Telephone system	2004	3,500	10	350	350	3,150
1110	205	Lobby Counter	2004	4,000	10	400	400	3,600
1110	210	Copier	2004	3,500	10	350	350	3,150
1110	215	Entrance Sign	2004	2,000	10	200	200	1,800
1110	220	Landscaping	2004	820	10	82	82	738
		Total		45,000		4,254	13,222	31,778

1120	011	Computer	1995	4,000	5	0	4,000	0
1120	016	Monitor	1995	300	5	0	300	0
1120	021	Workstations	1998	6,000	5	0	6,000	0
1120	026	Software	1998	1,600	5	0	1,600	0
1120	031	Lotus 123	2000	400	5	80	400	0

1120	036	Customized payroll pkg	2003	15,000	5	3,000	6,000	9,000
1120	041	Upgrade to computer	2003	2,000	5	400	800	1,200
1120	046	Computer wiring	2003	1,200	5	240	480	720
1120	051	Raised Flr Computer Rm	2003	1,500	5	300	600	900
1120	056	Computer leased	2003	30,000	5	6,000	12,000	18,000
1120	061	Cpu upgrade	2004	3,000	5	600	600	2,400
		Total		65,000		10,620	32,780	32,220

1130	012	Displays	1980	550	10	0	550	0
1130	017	Shopping carts	1983	1,200	10	0	1,200	0
1130	022	Fixture racks	1980	1,200	10	0	1,200	0
1130	027	Fixture freight	1981	400	10	0	400	0
1130	032	Fixture installation	1981	700	10	0	700	0
1130	037	Cash registers	1983	650	10	0	650	0
1130	042	Displays	1987	2,200	10	0	2,200	0
1130	047	Canopies	1990	4,000	10	0	4,000	0
1130	052	Escalator	1990	6,000	10	0	6,000	0
1130	057	Lawn Mower	1992	250	10	0	250	0
1130	062	Televisions	1994	800	10	0	800	0
1130	067	Vacuum cleaner	1996	130	10	13	117	13
1130	072	Hot water heater	1999	350	10	35	210	140
1130	077	Paving	2002	25,000	10	2,500	7,500	17,500
1130	082	Sidewalks	2002	4,000	10	400	1,200	2,800
1130	087	Fence around property	2001	6,500	10	650	2,600	3,900
1130	092	Pool furniture	2000	3,500	10	350	1,750	1,750
1130	097	Restaurant equipment	2003	22,000	10	2,200	4,400	17,600
1130	102	Tables	2001	4,300	10	430	1,720	2,580
1130	107	Chairs	2002	400	10	40	120	280
1130	112	2003 Oldsmobile	2003	20,000	10	2,000	4,000	16,000
1130	117	Heat pump	2002	2,000	10	200	600	1,400
1130	122	Hot water heater	2003	650	10	65	130	520
1130	127	Answering machine	2002	210	10	21	63	147
1130	132	Huge sign	2002	2,000	10	200	600	1,400

1130	137	Drapes	2002	1,700		10	170	510	1,190
1130	142	Canopy for airplane	2003	4,300		10	430	860	3,440
1130	147	Airplane	2003	18,000		10	1,800	3,600	14,400
1130	152	Reroof building	2002	7,000		10	700	2,100	4,900
1130	157	Satellite dish	2003	3,500		10	350	700	2,800
1130	162	Central air conditioning	2003	11,000		10	1,100	2,200	8,800
1130	167	Handicap ramp	2003	400		10	40	80	320
1130	172	Replace ice maker	2003	610		10	61	122	488
1130	177	Replace fixtures	2004	4,500	4,500	10	0	4,500	0
1130	182	Cash register scanners	2004	3,000	3,000	10	0	3,000	0
1130	187	Relocate counter	2004	2,500	2,500	10	0	2,500	0
1130	192	Cardboard paper recycler	2004	6,000	6,000	10	0	6,000	0
1130	197	A/C Compressor	2004	1,500	1,500	10	0	1,500	0
1130	202	Repaint building	2004	3,000		10	300	300	2,700
1130	207	Drive thru window	2004	1,500		10	150	150	1,350
1130	212	Large screen TV	2004	2,500		10	250	250	2,250
		Total		180,000			14,455	71,332	108,668
									0
									0
1140	086	Upfit (complete remodel)	2001	30,000		7	4,286	17,143	12,857
1140	091	Signs	2001	6,000		7	857	3,429	2,571
1140	096	Carpeting	2001	7,000		7	1,000	4,000	3,000
1140	101	Wallpaper	2001	3,000		7	429	1,714	1,286
1140	106	Install front door	2001	600		7	86	343	257
1140	111	Interior paint	2001	1,000		7	143	571	429
1140	116	Install glass for front	2001	4,000		7	571	2,286	1,714
1140	121	Electrical wiring	2001	5,000		7	714	2,857	2,143
1140	126	Paneling	2001	4,500		7	643	2,571	1,929
1140	131	Lighting	2001	3,000		7	429	1,714	1,286
1140	136	Entrance rework	2001	5,900		7	843	3,371	2,529
		Total		70,000			10,001	39,999	30,001
		Grand Total		920,000	17,500		54,997	320,000	450,000