Arizona Department of Revenue

2014 Personal Property Manual

This revision of the Arizona Department of Revenue Personal Property Manual is effective as of January 1, 2014. This Manual supersedes all earlier manuals.

FOREWORD

Arizona laws that provide the authority for the identification, classification, valuation and assessment of personal property have created an integrated personal property taxation system. That system is part of a general property tax assessment system that includes both real and personal property.

This 2014 Personal Property Manual contains information pertaining to the identification, classification, valuation and assessment of locally assessed personal property in Arizona. The information in it is provided to assist personnel working to prepare annual valuations and assessments of taxable personal property. **This manual is not intended for use in the valuation of Centrally Valued personal property.**

This manual is a revised version of the Personal Property Manual issued by the Arizona Department of Revenue on January 1, 2013 and supersedes all previous Personal Property Manuals issued by the Department. It will be in effect until it is revised or is replaced. Other information may subsequently be issued as a part of this manual or as a separate guideline document, if considered necessary.

All inquiries, comments and suggestions concerning any specific material contained in this manual may be submitted to the following addresses:

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The Personal Property Manual can be viewed on the Arizona Department of Revenue's web site at: **http://www.azdor.gov/Portals/0/Brochure/AZ-Personal-property-Manual.pdf**.

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CHAPTER 1

PERSONAL PROPERTY OVERVIEW

INTRODUCTION

Within the broad category of "property," two types of property are commonly recognized. Real property, also called real estate, refers to the rights to land and any improvements to or on the land. Personal property is defined as being all types of tangible and intangible property that is not included in the term real estate, pursuant to A.R.S. § 42-11001(10). This manual emphasizes the narrower category of "personal property."

It is important to remember that for locally assessed personal property, "valuation year" and "tax year" are the same calendar year.

For the purposes of this manual, the following conventions will be used: the term mobile home is used to describe any manufactured housing, the Arizona Department of Revenue will be referred to as "the department" or DOR, and ARS will denote Arizona Revised Statute.

Personal property includes property used for commercial, industrial, residential, and agricultural purposes. It also includes improvements on possessory rights (IPRs) and certain leasehold improvements. Personal property is subject to property tax, except for inventory of a manufacturer, wholesaler or retailer, as well as livestock, personal household goods, and certain other specifically exempted items. A.R.S. §§ 42-11102 through 42-11133. A vehicle license tax is assessed in lieu of a property tax on motor vehicles. Most manufactured housing and mobile home units are assessed as personal property. Chapter 3, "Manufactured Housing," contains a detailed discussion of mobile home valuation and assessment.

LEGAL CLASSES OF PROPERTY AND THEIR ASSESSMENT RATIOS

The Arizona Revised Statutes establish several legal classifications of taxable property within the State according to use. Each legal class has a statutory assessment ratio. The legal classes of property and their corresponding assessment ratios are currently defined in A.R.S. §§ 42-12001 through 42-12009 and §§ 42-15001 through 42-15009, respectively. Most locally assessed business and agricultural personal property is identified in legal class one, subclasses (8), (9), (10), and (13), in legal class two, or in legal class six, subclasses (2), (4) (7) and (8). Mobile homes are generally identified in legal classes three and four. For the purposes of this manual, only these legal classes and subclasses will be discussed.

The classification of an item of personal property is based in most cases on its current use by the owner. If identical items of personal property are put to different uses by different owners, each item must be classified by its own current use. For illustration purposes, consider two identical tractors. If one tractor is used by a farmer, it is classified under legal class two, subclass 2(P)(a) or (b) for its agricultural use. But if the other tractor is used by a contractor, it would be classified as legal class one, subclass (13) for its commercial use.

The chart on the following page provides a reference to the most commonly used personal property legal classes and assessment ratios. Refer to the Arizona Revised Statutes and the Assessment Procedures Manual for a complete discussion of all legal classifications.

Legal Class	Description	Statutes	Time Limit	Ratio
1(8)	Shopping Centers	42-12001(8)	None	19 %
1(9)	Golf Courses (For profit)	42-12001(9)	None	19 %
1(10)	Manufacturers	42-12001(10)	None	19%
1(13)	All Other Commercial	42-12001(13)	None	19 %
2 P	Agricultural, Non-Profit,	42-12002(2)	None	16 %
3	Residential, Non-rental	42-12003	None	10 %
4	Rental Residential Child Care Facility Nursing Care Facility Bed and Breakfast Timeshare Property	42-12004	None	10 %
6(2)	Foreign Trade Zone	42-12006(2)	None	5 %
6(4)*	Enterprise Zone (Closed effective 6/30/2011)	42-12006 Formerly (4)	5 Years	5 % Limited Value 20 % Full Cash Value
6(7)*	Forest Product	42-12006(6)	5 Years	5 %
6(8)*	Biodiesel Manufacturer	42-12006(7)	Through 2016	5 %
6(9)*	Renewable Energy Manufacturing or Headquarters	42-12006(8)	Through 2014	5%
9*	Contractor Acquired Property Property leased to non-profit charter school	42-12009	None	1%

***** Statutory limitations apply. Contact the DOR for a complete Legal Class Summary

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DISTINGUISHING BETWEEN REAL AND PERSONAL PROPERTY

Property must be identified as either real or personal property in order for the property to be properly valued and assessed. Distinguishing between real and personal property ensures that all property is taxed only once, either on the personal or the real tax roll. The primary characteristics that distinguish personal property from real property are the manner and extent to which the item is *annexed* to land or to improvements, how the property is *used*, and the *intent* of the property owner.

Consult Table 1.1 in the following section for a categorized listing of specific assets. If doubt exists, the following must be considered carefully:

- The method of attachment and the degree of permanence in that attachment.
- The physical nature of the item.
- The use of the item.
- Whether damage would be caused by removal of the item.
- Whether the item is temporary in nature, is movable, or is used to augment other personal property.
- Whether the item that is attached to real estate would be reusable after removal.

Annexation

Personal property is considered annexed if it has been imbedded in, is permanently resting upon land or improvements, or is attached by means that are normally used for permanent installation. If the item cannot be removed without substantially damaging it, or the real property with which it is being used, it is considered to be annexed.

Property should not be considered annexed solely because of attachment to the real property by "quick disconnect" attachments, such as simple wiring and conduit connections. Attaching an item to the floor or to a wall to provide stability does not make the item real property.

An item of personal property that is not permanently attached to real property is considered annexed to real property if it is:

1. A necessary, integral, or working part of the real property.
2. Designed or committed for use with real property.
3. So essential to the real property that the real property cannot perform its desired function without the nonattached item.

Use

If the sole purpose of an item is to augment the use of a structure, it may be considered real property regardless of how the item is attached. If an item is used only to augment or to support the business activity that is conducted on the premises, then the item is considered to be personal property.

An example of this would be heating, ventilating, and air conditioning equipment (HVAC). The equipment that is used to heat, ventilate, or air condition a structure is considered to be real property. Additional ventilation or air conditioning equipment added to accommodate manufacturing or computer equipment is listed as personal property.

Intent

Intent is measured with, not separately from, annexation and the use of the personal property. If the appearance of the item indicates that it is intended to remain annexed indefinitely, the item may be real property for tax purposes. Intent may also be determined by factors other than simple visual appearance, such as in an agreement between parties, or in a contract between lessor and lessee. Historic usage of an item may be considered in determining whether or not it is intended to remain annexed indefinitely.

EXAMPLES OF REAL AND PERSONAL PROERTY

- The list in Table 1.1 is not meant to be exhaustive. Rather, it is presented to illustrate items typically categorized as real or personal property. Some types of property can be appropriately classed as either real or personal. Special attention is required to ensure they are only listed on one tax roll – not both. These are indicated with an *.

Table 1.1
EXAMPLES OF TYPICAL CATEGORIES
Real and Personal Property

Description	Real Property	Personal Property
Air Conditioning, Built-In	X	
Air Conditioning, Window Units		X
Air Rights	X	
Awnings, Removable		X
Back Bars		X
Blast Furnaces	X	
Blinds		X
Boilers, Built-In *	X	
Boilers, Used in Manufacturing Process		X
Booths, Restaurant *		X
Booth, Spray Paint *		X
Bowling Lanes		X
Buildings, Permanently Affixed	X	
Cabinets, Built-In *	X	
Cage, On Interior for Protection *		X
Canopies, Attached to Building or Free-Standing	X	
Canopies, Over Equipment Used as part of Operating Equipment *		X
Carpets, Wall-to-Wall	X	
Ceiling Fans *	X	
Check-Out Stands		X

Table 1.1 (continued)
EXAMPLES OF TYPICAL CATEGORIES
Real and Personal Property

Description	Real Property	Personal Property
Chimney Stacks	X	
Clean Rooms*		X
Cold Storage Equipment		X
Compressors *		X
Computers *		X
Concrete Flat-work	X	
Control Room	X	
Control Room Equipment		X
Contoured Grounds	X	
Coolers, Storage or Vending, Built-In *	X	
Coolers, Storage or Vending, Prefabricated *		X
Counters, Bank		X
Counters, Restaurant		X
Cranes, on Fixed or Portable Ways		X
Crane Rails, Fixed-in-Place	X	
Crane Rails, Portable		X
Dairy Barn Milking Equipment		X
Dams	X	
Ditches	X	
Docks and Dock Levelers*	X	
Docks, Boat		X
Doors, except Vault Doors	X	
Drinking Fountain, Built-in *	X	
Ducts	X	

Table 1.1 (continued)
EXAMPLES OF TYPICAL CATEGORIES
Real and Personal Property

Description	Real Property	Personal Property
Electrical Service, used for Structure	X	
Electrical Service used for Manufacturing Equipment *		X
Electrical Transformers *		X
Elevators, Freight or Passenger	X	
Embankments	X	
Escalators	X	
Exhaust System, Built-In *	X	
Fences	X	
Fill Material	X	
Fire Protection (water sprinkler systems) *	X	
Fire Extinguishers *		X
Flag Poles	X	
Floor-covering, Hard Surface	X	
Foundations, Building	X	
Foundations, Equipment Mounts		X
Fruit Trees	X	
Furnishings, Built-In *	X	
Graded Ground	X	
Grape Stakes	X	
Grape Trellises	X	
Heating, Air Conditioning, Ventilation for Building Use *	X	
Hoists		X
Ice Skating Rinks		X

Table 1.1 (continued)
EXAMPLES OF TYPICAL CATEGORIES
Real and Personal Property

Description	Real Property	Personal Property
Kilns *		X
Kitchen Appliances, Built-In *	X	
Laboratory Equipment *		X
Landscaping	X	
Laundry Machines		X
Leveler, Loading Dock *	X	
Leveled Ground	X	
Lighting Fixtures *	X	
Machinery		X
Mail Boxes and Chutes, Built-In *	X	
Minerals	X	
Mini-Kitchen Combination Range, Oven, Sink, and Refrigerator Units		X
Music Systems, Attached to Booth or Counters *		X
Nut Trees	X	
Organs, Pipe		X
Ovens, Bake *		X
Partitions, Permanent, Floor-to-Ceiling	X	
Partitions, Movable or Detachable		X
Piling, for Support of Structure	X	
Piping, Used for Servicing Building	X	
Piping, in Conjunction with Machinery *		X
Plumbing, for Lavatories, Water Faucets, Sinks, Drinking Fountains, Sewage Ejector, etc.	X	
Printing Press		X

Table 1.1 (continued)
EXAMPLES OF TYPICAL CATEGORIES
Real and Personal Property

Description	Real Property	Personal Property
Public Address Systems *		X
Pumps, Irrigation	X	
Radiators, Steam	X	
Railroad Track, on Owner's Land *	X	
Railroad Track, not on Owner's Land		X
Refrigerator, Built-In	X	
Restaurant Equipment, Built-In	X	
Restaurant Equipment, Free-Standing		X
Retaining Walls	X	
Roads, Unpaved	X	
Roads, Paved, Private Land	X	
Safes, Embedded	X	
Safe Deposit Box Units		X
Scales, Truck		X
Scales, Other		X
Screen, Indoor Theater		X
Security System *		X
Septic Tanks	X	
Sewer Systems	X	
Shelving, Attached *		X
Shelving, Free-Standing		X
Signs		X
Sink, Built-In *	X	

Table 1.1 (continued)
EXAMPLES OF TYPICAL CATEGORIES
Real and Personal Property

Description	Real Property	Personal Property
Site Improvements	X	
Skirting, for Mobile Homes Not Permanently Affixed		X
Sprinkler System, Lawn	X	
Sprinkler System, Fire	X	
Sprinkler System, Agriculture, Field - Surface and Walking		X
Stairs, Railings, Fire Escapes, Ladders (Attached)	X	
Stoves, Built-In *	X	
Tank, Buried *		X
Tanks (Butane, Propane, Water Softener), Unburied, but which Remain in Place		X
Teller Cages		X
Towers, Cooling*	X	
Towers, Radio and Television *		X
Vault Doors *		X
Vaults*	X	
Vines, Agricultural	X	
Walk-in Coolers and Freezers *		X
Walls and Partitions, Movable and Detachable *		X
Water Rights	X	
Water Recovery System, Industrial *		X
Wells, Oil and Water	X	
Well Equipment *		X
Wet Bar, Built-In	X	

CHAPTER 2

BUSINESS PERSONAL PROPERTY

REPORTING PERSONAL PROPERTY

The county assessor is responsible for identifying persons owning, possessing, or controlling personal property. A.R.S. §§ 42-15052 and 42-15053 provide that, on demand by the county assessor, each person, firm, corporation or association owning, controlling, or having possession of taxable personal property must file a correct list of all such property in the county. The list must be filed under oath, or affirmation, by the person making the report. A.R.S. § 42-15053 prescribes that this list must be returned to the county assessor on or before April 1.

Personal property reporting forms provide for taxpayer identification and description of the property, the year it was acquired, and the property's acquisition cost. Reports filed with the county assessor must contain full and complete lists of property in the possession or control of the taxpayer. Forms and instructions are available from the county assessor. Acquisition costs and year of acquisition reported in previous years will be preprinted on the front page of the forms by the county assessor. Reporting forms may be county specific, or the form provided by the DOR. (DOR 520/520 A) See Appendix 2 - Forms for examples. A complete list must include all acquisition costs associated with the personal property reported on the list for assessment. New businesses are required to provide additional data. This information enables the county assessor to apply the appropriate property valuation table factors needed to calculate the current full cash value of the personal property.

If the property does not fit into the listed schedules, additional documentation must be filed with the appropriate county assessor for review.

The back of the personal property statement serves as a listing page for additions and deletions of taxable personal property. Information concerning the requirements for listing taxable animals, leased or rented property, un-owned property (e.g., vending machines), or property that is located on government-owned land is requested on these statements. (See the report form's instructions for details.)

Leased or other un-owned property should be reported. Assessor personnel should cross reference leased equipment with leasing company accounts to ensure no escaped property exists. Tax bills and valuation notices should be sent to the leasing company as they retain ownership of the property.

Although the taxpayer has the primary responsibility to report personal property to the county assessor when requested, the assessor may also use other methods to discover personal property. The most widely used methods of discovery include canvassing, building permits, newspaper advertisements, announcements of new business openings, sales tax licensing registration lists, telephone directories, membership listings in local chambers of commerce, and certificates of occupancy.

Any difference between acquisition costs for personal property as recorded on the taxpayer's books and records and the acquisition cost amounts reported to the county assessor may be subject to taxation as escaped property per A.R.S. § 42-15054. If the taxpayer fails to provide adequate documentation, the assessor should issue a Notice of Value based on the best information available. This procedure is termed an estimate of value.

Personal property in the taxpayer's possession as of December 31 must be reported. Taxpayers are not required to report new property until it is ready to be placed into service. Proration is not allowed for businesses entering the tax rolls for the first time.

REPORTING SUMMARY

The key points on reporting that apply to both agricultural and business personal property are as follows:

1. A property statement must be provided by the taxpayer to the county assessor. A.R.S. §§ 42-15052 and 42-15053.
2. The county assessor will request a new statement annually.
3. Personal property is reported as of December 31 of the previous year unless otherwise specified. The tax lien attaches on January 1 of the tax year. A.R.S. §42-17153(C)(1).
4. Property statements are due on or before April 1. A.R.S. § 42-15053.
5. All property, including fully depreciated property, under the control of the taxpayer as of December 31 of the prior year must be reported.
6. The property statement form must be completed as required and signed by the property owner or the owner's authorized agent.
7. The property statements are not open to public inspection. They may be used as evidence in any prosecution brought under A.R.S. § 42-15055, including failing to report taxable property or providing false or fraudulent information. A.R.S. § 42-15053.
8. The taxpayer should attach supplemental information where appropriate including a listing of all leased property.
9. A failure of the owner to timely prepare and return the property statement shall result in an addition of a ten percent penalty to the full cash value. The county assessor may abate all or part of the penalty if the personal property statement is filed no later than thirty days after the due date. A.R.S. § 42-15055(D).
10. An assessment of the property can be made even though no request or demand for a property statement was made by the county assessor. A.R.S. § 42-15053(D).
11. All property statements are subject to audit. A.R.S. § 42-15053(F)(2).

PROCESSING RETURNS BY COUNTY ASSESSOR

On receipt of the completed personal property statement, the county assessor will process the information and prepare it for entry on the tax roll, as follows.

Existing Account

For an existing account, the county assessor should complete the following procedures:

1. Determine whether or not the personal property statement was received on time. Late returns are subject to a ten-percent penalty. The county assessor may abate all or part of the penalty if the form is filed within thirty days after the due date. A.R.S. § 42-15055(D).
2. Review the statement to determine if there has been a change of address or if any other identification information is needed.
3. Review the back of the statement and any attachments for additions or deletions on the list of personal property or for other new information provided by the taxpayer. Review any additional information pertaining to items that were acquired in prior years that are being reported for the first time.
4. Determine whether or not any such property has escaped taxation and if it should be valued and assessed for prior years.
5. Owners or their agents must sign and date the statement as a declaration that true and complete information has been provided.

New Account

For a new account, the county assessor should complete the following procedures:

1. Assign a taxpayer number / account number.
2. A parcel number may be listed to aid in the location of the personal property.
3. If a late filing penalty of ten percent is added, the "10 % Penalty" box will be marked on the form.

4. Check the name, address and location data for accuracy. This information is used to establish the mailing address of the taxpayer in the database.

5. All information should be complete. It must provide enough detail to select the proper valuation tables and economic lives.

6. Owners or their agents must sign and date the statement as a declaration that true and complete information has been provided to the assessor.

PRORATION OF PERSONAL PROPERTY TAXES

Proration of personal property taxes occurs only when the property is periodically leased or rented from the inventory of a retailer or wholesaler. A.R.S. § 42-19103. Retailers or wholesalers who periodically lease inventory are required to file a report of this activity using the Property Leased or Rented from Inventory form (DOR 82527). Per A.R.S § 42-19005, that form must be filed with the county assessor not later than the tenth day of each month for the preceding month's activity. The assessor will calculate the prorated full cash value. The formula used to prorate the value is as follows:

Full cash value	X	0.00274 (where 0.00274 = 1 ÷ 365)	X	number of days leased	=	prorated full cash value

If the lease agreement for an inventory item extends beyond the end of the current year and into the subsequent year, separate billings should be prepared to account for the lease time in each year. Proration does not apply to personal property that is owned and held by persons primarily engaged in the business of renting personal property. Such property is taxable, whether or not it is rented.

AUDITING

Pursuant to A.R.S. § 42-15054(B), the county assessor has been provided the authority to make such investigations as are necessary to insure that all property subject to property taxation in the county is properly included on the tax rolls. If the assessor believes that persons have not reported a complete list of property in their possession or control, the assessor may investigate as considered necessary to ascertain the extent and value of the property. The county assessor shall conduct the investigation in such a manner that would discover and correct errors in the taxpayer's favor as well as discovering and correcting errors not in the taxpayer's favor. A.R.S. § 42-15054(C). Additionally, A.R.S. § 42-15053(F) provides that, while not open to public inspection, every list filed with the county assessor (1) may be used as evidence in any prosecution brought under A.R.S. § 42-15055, and (2) may be subject to audit. These references give the county assessor and the DOR the authority to audit any person's records in connection with personal property assessments.

The goal of an audit is to determine that all personal property is being reported and that the amounts reported are accurate. The audit may be conducted at the place of business, the location where the owner keeps the books and records, or in the county assessor's office. The auditor should view the property, if possible, even though it may be located at a site other than where the audit is being conducted.

The audit time frame is defined by A.R.S. § 42-16256, which limits the time period in which property tax assessment or collection errors may be corrected. A Notice of Proposed Correction – Personal Property (DOR 82179P), or a Taxpayer Notice of Claim – Personal Property (DOR 82179PT) may be filed to correct an assessment or collection error that occurred in the current tax year and the three preceding tax years. See "Correction of Errors", Chapter 5 for more information.

ADDITIONAL CHARGES

If the county assessor finds property that was under-reported, omitted or escaped additional charges may be added to the audit results. The conditions under which additional taxes and charges are authorized by law include:

1. A penalty equal to ten percent of the amount of taxes owed may be assessed in addition to the taxes due on property that was not reported or that was discovered by the county assessor in an audit of personal property. A.R.S. § 42-15055(C). The county assessor may abate all or part of the penalty if a personal property statement

is filed within thirty days after the due date, pursuant to A.R.S. § 42-15055(D). A failure to demand the listing or a failure to receive the listing does not preclude the county assessor from making an assessment of the personal property and entering it on the tax roll, pursuant to A.R.S. § 42-15053(D).

2. Interest, at the rate of sixteen percent per year simple, will be charged for any delinquent taxes. A.R.S. § 42-18053. The Arizona Tax Court in 1993 allowed the legal rate of interest (ten percent, currently) to accrue from that point in time when the taxes would have been due if the taxpayer had reported correctly.
3. Any person who knowingly fails to file any list of taxable personal property or supply any information required by the county assessor or the deputy county assessor, or who knowingly and with like intent makes, renders, signs or verifies any false or fraudulent information in reporting taxable personal property is guilty of a Class 2 misdemeanor. A.R.S. § 42-15055(A) and (B).
4. Any personal property that has been knowingly concealed, removed, transferred or misrepresented by the owner or agent, in an effort to evade taxation, shall be liable for the amount of taxes due on the property, plus a penalty equal to the amount of taxes due for the year in which the discovery is made. A.R.S. § 42-15055(E).
5. If a person whose personal property taxes have been assessed in error reports the error to the taxing authority before receiving the Notice of Proposed Correction, no penalty may be applied and the tax roll shall be corrected to allow property taxes to be levied and collected for the period affected by the error. A.R.S. § 42-16253.

VALUATION OF PERSONAL PROPERTY

The personal property valuation and assessment system in Arizona is based on the concept of "Full Cash Value." If no statutory method is prescribed, full cash value is synonymous with market value, which means the estimate of value derived annually by using standard appraisal methods and techniques. Pursuant to § 42-11001(6), full cash value shall not be greater than market value regardless of the method prescribed to determine value for property tax purposes.

Identifying the correct level of trade is critical to the valuation of personal property. Three distinct levels of trade are generally recognized: manufacturing, wholesale, and retail. Personal property should be valued at the level of trade at which it is found. If a manufacturer leases products directly to consumers, the correct valuation of all products leased by the manufacturer is at the retail sales price, not the manufacturer's cost to produce the product.

There is not an active resale market for many kinds of personal property, except for liquidation sales. Prices paid at liquidation sales are not an adequate indicator of market value. Under these circumstances, it is appropriate to consider the replacement cost of an item of property, not the price for which it could be sold.

The cost approach is used to value most items of personal property. When utilizing the cost approach for personal property valuation, the current replacement cost new less depreciation (RCNLD) must be obtained. For most types of personal property, the total acquisition cost is factored to adjust it to the current replacement cost new (RCN). The factor applied is derived by relating the current trend of personal property costs to the total acquisition costs. The current RCN is then depreciated to reflect the age of the item of property. The resulting value is known as the replacement cost new less depreciation (RCNLD).

Acquisition Cost

The starting point in the valuation of personal property is the acquisition cost. The cost of acquiring the personal property includes the actual cost of the item of property, the cost of transporting the personal property to its present site, the cost of installing the item of personal property, plus any sales or use tax paid on that property. The installation cost includes any electrical, plumbing, or related work necessary to make the equipment functional. If any structural support or foundation is required for the installation of a specific item of equipment, that cost should be reported as a part of the acquisition cost. These costs are reported on the personal property statement by acquisition year.

Any special foundations, wiring, plumbing, or related costs included in the structure in anticipation of acquiring the equipment should be included in the value of the structure, not in the cost of the equipment. When the equipment is subsequently installed, no adjustment is required for those items already included in the value of the structure.

Trending for Price Change

Acquisition costs for most items of personal property are adjusted, or trended, to reflect changes in the current replacement costs of those items. Changes in acquisition costs for items of personal property are measured from the year of acquisition to the current year. Cost data is provided in a Comparative Cost Index, published by Marshall and Swift. This index is used by the Department to prepare the valuation factors that are provided in the "Personal Property Valuation Tables" section of Chapter 6. To illustrate the concept of trending, consider machine shop equipment originally acquired four years ago for $10,000. Assume that the cost index provides a multiplier of 1.146 for four-year old equipment. When applied to the acquisition cost, the current RCN is $11,460 ($10,000 x 1.146). Stated another way, the same property would cost $11,460 today.

Life Years

Each category of personal property has a specific expected life associated with it. Expected lives are expressed as the number of years that the personal property in each category is typically retained for use with normal maintenance. The expected lives, or "Life Years," are identified in the Valuation Table Index in Chapter 6. They have been established, for the most part, by the Internal Revenue Service or through special studies.

The life years recommended in Chapter 6 are generally applicable to personal property in an industry grouping as a whole. There may be occasions where special studies, conducted on property in a more restricted segment of the industry, support either longer or shorter lives. Those studies should be considered if they properly reflect an industry-wide application of the longer or shorter life for the particular item of property.

The recommended life years in Chapter 6 do not apply in situations where there has been excessive use of the equipment. See below for a discussion of valuation adjustments that are based on uses of equipment that differ from the norm.

Depreciation

Depreciation is defined as the loss in value caused by normal use of an item over its expected useful life. The value of an item after depreciation has been accounted for is expressed as "percent good." Depreciation can be expressed as the loss of value at any given age, or as one hundred percent minus the percent good. For example, if an item of personal property is regarded as sixty percent good, it has incurred forty percent depreciation.

Valuation Factors

The valuation factors provided in Chapter 6 simplify the calculation of the RCNLD for personal property items. Without the use of valuation factors, this calculation is a two-step process. The first step is a determination of the current RCN by factoring the acquisition cost of the personal property item to the current tax year. The second step is a determination of the current RCNLD by depreciating the RCN for the age of the property.

This dual calculation of the RCNLD is reduced to a single calculation when a valuation factor or "composite factor" is used.

As an example, consider a three-year old item of property with an eight-year life that has appreciated by eight percent since acquisition. The current RCN is one-hundred-eight percent of acquisition cost. Assume that the item is seventy-five percent good. The item has a current RCNLD of eighty-one percent of acquisition cost (108% x 75% = 81%). Note that the resulting current RCNLD factor includes both appreciation and depreciation components.

Original acquisition cost		=	)
Current year's RCN	$1,000 x 108 %	=	$ 1,080
Current year's RCNLD	$1,080 x 75 %	=	$ 810
RCNLD (as a percentage of acquisition cost)	$ 810 ÷ $1,000	=	81 %

Minimum Value

The valuation tables in Chapter 6 list minimum valuation factors. A minimum valuation factor is used if the item is still in use after the number of expected life years. Property maintains a minimum value in use until it is scrapped or discarded. For personal property in legal class one, subclasses (8), (9), (10), and (13), or in legal class two, subclass 2(P)(a), (b), (c), (d), and (e), the minimum valuation factor will be reduced by 2.5 percent each year. Minimum valuation factors will not be reduced below 2.5 percent, pursuant to A.R.S. § 42-13055. When property is no longer usable, or is being cannibalized for spare parts, its value should be determined by the assessor based on the best available information. When the item of personal property has been disposed of, it should be reported as a deletion from the list of taxable personal property.

ADJUSTMENTS FOR EXCESSIVE DEPRECIATION

Personal property is depreciated over its expected useful life. The causes of depreciation are generally categorized into three groups: physical deterioration, functional obsolescence, and economic (external) obsolescence. Changes in supply and demand, interest rates, and technological advancements all contribute to depreciation.

The routine use of items for their intended purpose creates a loss in value. The personal property valuation system recognizes typical physical deterioration and typical conditions of obsolescence over the expected useful life of personal property. County assessors may need to consider valuation adjustments for personal property items to recognize any excessive depreciation. These are conditions of depreciation beyond normal conditions of deterioration or obsolescence.

If the actual depreciation of an item of personal property has been greater (or less) than normal, the valuation factor used to calculate the current RCNLD should be modified.

Excessive physical depreciation may be present in an item of personal property that is being used for two shifts, seven days per week, when typical use of that item is one shift, five days per week. If this use exceeds what is typical for the item, an adjustment for excessive loss in value may be required. A valuation adjustment for excessive physical deterioration may apply to a storage tank used to contain a chemical that is more corrosive than average. Utilization in this manner would limit the tank's expected useful life. In this circumstance, it may be appropriate for the county assessor to adjust the value to recognize the increased rate of depreciation.

The obsolescence category includes those conditions that relate to economic (external) factors and functional factors, which usually shorten the expected life of a particular item. Obsolescence can relate to a single item of personal property or a group of items. Obsolescence is applied by determining the expected remaining life based on the current condition of the property, identifying the acquisition cost and year of acquisition, and then adjusting the remaining life to reflect the current condition.

Excessive functional obsolescence may also be a consideration where rapid technological changes affect the rate at which conditions of obsolescence apply. Certain types of personal property, especially in the electronics and computer industries, may be affected almost immediately by obsolescence due to technological advancements. However, before the value of the personal property is adjusted for excessive physical, functional, or economic obsolescence; the property owner must prove to the assessor that the property has incurred a loss of value. The fact that a faster machine exists, or that external forces have affected a facility or its market doesn't necessarily mean that the value of the personal property itself has been negatively impacted.

As an example of functional obsolescence, assume that a business computer system was acquired with the expectation of producing complex word processing formats, spreadsheets, and high-speed mathematical data processing. After the computer was put into use, the owners discovered that the multi-tasking production requirements of the job exceeded the computer's production output capabilities. Expensive upgrades would improve the computer's ability to perform at the required level; however, the cost to cure the problem is approximately the same as the cost of a new, more technologically advanced machine. In this instance, the computer did not adequately perform the required task and is adversely affected by conditions of functional obsolescence.

Economic (external) obsolescence is a condition caused by factors external to the personal property that have a negative effect on the value of the property. This type of depreciation may apply to forms or jigs which do not have an alternative use and that are used to manufacture a specific product. When that product is no longer in demand or being manufactured, the valuation of the machinery may be adjusted for excessive economic obsolescence.

To further illustrate an adjustment for excessive depreciation, assume that a new item of personal property was purchased last year for $10,000, and had an expected life of ten years. The item now has an eight-year life expectancy due to heavy usage. Identify the

$10,000 total acquisition cost for the year of purchase, and adjust the expected life from ten years to eight years. Future calculations of the RCNLD should reflect this shorter life (i.e., faster depreciation). In summary, the county assessor may adjust for conditions of excessive depreciation. These adjustments should be fully documented in the assessor's records.

ADDITIONAL STATUTORY DEPRECIATION

In 1995 the Arizona Legislature adopted an additional depreciation schedule to be used to value specific classes of personal property. Pursuant to A.R.S. §§ 42-13054 and 42-13353, this additional statutory depreciation, sometimes incorrectly referred to as "accelerated" depreciation, applies **only** to eligible personal property in legal class one, subclasses (8), (9), (10), and (13), and legal class two, subclass 2(P). Any personal property that has escaped taxation and that should have been initially assessed prior to the implementation of additional depreciation does not qualify for the application of this additional depreciation treatment.

Additional statutory depreciation is to be applied to the full cash value of personal property that is initially assessed in Arizona during or after tax years 2008 using the department's valuation schedule as follows:

1. In the first year’s assessment, the property will be valued at thirty percent of the scheduled depreciated value.
2. For the second year’s assessment, the property will be valued at forty-six percent of the scheduled depreciated value.
3. For the third year’s assessment, the property will be valued at sixty-two percent of the scheduled depreciated value.
4. For the fourth year’s assessment, the property will be valued at seventy-eight percent of the scheduled depreciated value.
5. For the fifth year’s assessment, the property will be valued at ninety-four percent of the scheduled depreciated value
6. For the sixth and subsequent tax year's assessments, the property will be valued at one hundred percent of the scheduled depreciated value.

For property initially assessed during or after tax year 2012 additional statutory depreciation will be applied using the department's depreciation schedule as follows:

1. For the first year of assessment, the assessor shall use twenty-five percent of the scheduled depreciated value.
2. For the second year of assessment, the assessor shall use forty-one percent of the scheduled depreciated value.
3. For the third year of assessment, the assessor shall use fifty-seven percent of the scheduled depreciated value.
4. For the fourth year of assessment, the assessor shall use seventy-three percent of the scheduled depreciated value.
5. For the fifth year of assessment, the assessor shall use eighty-nine percent of the scheduled depreciated value.
6. For the sixth and subsequent tax year's assessments, the property will be valued at one hundred percent of the scheduled depreciated value.

The additional depreciation prescribed above will not reduce the valuation of personal property below the minimum value prescribed by the department for property in use. See page 2-12 for information on minimum value. The DOR's valuation tables contain valuation factors with both standard and additional depreciation factors. The nonshaded rows represent the standard valuation factors that are used to calculate the full cash value of an asset. If the personal property qualifies for additional depreciation, the valuation factor in the shaded row is applied.

Comprehensive Examples

The three examples shown on the following pages illustrate the proper use of the valuation information located in Chapter 6, and include samples of the valuation table index, valuation tables, and valuation factors.

These sample valuation tables, and the corresponding valuation factors created for each example, are presented only for illustration purposes. To better understand these examples, refer to the Valuation Table Index in Chapter 6 and compare them to the sample valuation tables provided in each example.

Example A

One-year old personal computer equipment, acquired for $28,000, would have a current RCNLD of $3,864. The county assessor classified this property as legal class one, subclass (13). Use the index in Chapter 6, and sample valuation table 5 provided in this example.

STEP 1: In the Valuation Table Index, locate the entry for "Computers," noting the subgroup "Personal Computers and Related Peripheral Equipment." According to the Index reference, personal computers are valued using Valuation Table 5, and are considered to have a four-year economic life.

STEP 2: For the purposes of this example, use the four-year life column of Sample Valuation Table 5 to locate the thirteen and eight tenths percent additional statutory valuation factor for one-year old computer equipment (age one). The additional statutory depreciation factor is used because the equipment is in its first five years of valuation in Arizona.

STEP 3: Multiply the $28,000 acquisition cost by the twelve and one half percent valuation factor to calculate the RCNLD of $3,500. ($28,000 X 0.125 = $3,500).

SAMPLE VALUATION TABLES 2 and **5**

		TABLE 2		**TABLE 5**			
Year Acquired	**Age**	**5 Year Life**		**2 Year Life**		**4 Year Life**	
		***Class 1 & 2**	**All Other Classes**	***Class 1 & 2**	**All Other Classes**	***Class 1 & 2**	**All Other Classes**
2011	1	55	55	30	30	50	50
*** 2011**	**1**	**13.8**		**7.5**		**12.5**	
2010	2	50	50	2.5	15	30	30
*** 2010**	**2**	**23.0**		**2.5**		**13.8**	
2009	3	30	30			20	20
* **2009**	**3**	**18.6**				**12.4**	
2008	4	20	20			2.5	10
*** 2008**	**4**	**15.6**				**2.5**	
2007	5	2.5	10				

Example B

Five-year old medical equipment, purchased for $40,000, has a current RCNLD of $20,680. Use the index in Chapter 6 and sample valuation table 1 provided in this example.

STEP 1: Under the "Medical" heading in the Index, locate the "Medical Equipment" category. The Index references Valuation Table 1 and provides a ten-year economic life for medical equipment.

STEP 2: Refer to Sample Valuation Table 1. Locate the year acquired for age five years, and the corresponding valuation factor from the ten life year's column.

STEP 3: Apply the fifty-one and seven tenths percent valuation factor to the medical equipment's acquisition cost of $40,000 to arrive at the RCNLD of $20,680. ($40,000 X 0.517 = $20,680).

SAMPLE VALUATION TABLE 1

		LIFE YEARS			
		8		**10**	
Year Acquired	**Age**	***Class 1 & 2**	**All Other Classes**	***Class 1 & 2**	**All Other Classes**
2011	**1**	88	88	90	90
*** 2011**	**1**	**22.0**		**22.5**	
2010	**2**	77	77	83	83
*** 2010**	**2**	**35.4**		**38.2**	
2009	**3**	64	64	72	72
***2009**	**3**	**39.7**		**44.6**	
2008	**4**	53	53	63	63
***2008**	**4**	**41.3**		**49.1**	
2007	5	41	41	55	55
2007	5	**38.5**		**51.7**	
2006	6	29	29	46	46
2005	7	15	20	36	36
2004	8	2.5		26	26
2003	9			13	20
2002	10			2.5	

Example C

Six-year old food vending equipment, acquired for $18,500, has a current RCNLD of $462.50. Use the index in Chapter 6 and sample valuation table 1.

STEP 1: Using the Index, locate "Food Vendors," a subgroup of the "Vending Equipment" category. Valuation Table 1 is referenced and a five-year life is provided for this type of equipment.

STEP 2: For this example, refer to Sample Valuation Table 1 to locate the corresponding valuation factor for age six, and five life years. This example illustrates personal property that is still in use after its expected life of five years. Therefore, valuation of six-year old food vending equipment is based on a minimum valuation factor of 2.5 percent, according to the sample table, until it is scrapped or has been discarded.

STEP 3: Multiply the acquisition cost of $18,500 by the minimum valuation factor of 2.5 percent to calculate the RCNLD of $462.50. ($18,500 X 0.025 = $462.50).

SAMPLE VALUATION TABLE 1
Valuation Factors (Percent Good)

		LIFE YEARS					
		5		6		7	
Year Acquired	Age	*Class 1 & 2	All Other Classes	*Class 1 & 2	All Other Classes	*Class 1 & 2	All Other Classes
2011	**1**	80	80	83	83	86	86
***2011**	**1**	**20.0**		**20.8**		**21.5**	
2010	**2**	62	62	69	69	74	74
***2010**	**2**	**28.5**		**31.7**		**34.0**	
2009	**3**	41	41	51	51	58	58
***2009**	**3**	**25.4**		**31.6**		**36.0**	
2008	**4**	21	21	35	35	45	45
***2008**	**4**	**16.4**		**27.3**		**35.1**	
2007	5	2.5	20	18	20	31	31
2007	**5**			**16.9**		**29.1**	
2006	6			2.5		16	20

DETERMINING ASSESSED VALUE

Statutory Exempt Amount

A.R.S. § 42-11127 provides for an exemption from property taxation of up to a maximum amount of full cash value for each taxpayer's qualifying personal property. In tax year 1997, the original maximum exempt amount was $50,000. The DOR is required to annually adjust the maximum amount of the exemption for the following tax year based on the total biennial change in the U.S. Bureau of Labor Statistics Employment Cost Index for the most recent complete state fiscal years and must do so on or before December 31 each year.

The table below demonstrates the recent history of the exempt amount:

Tax Year	Exempt Amount
2006	$59,099
2007	$61,142
2008	$63,242
2009	$65,013
2010	$66,440
2011	$67,268
2012	$68,079
2013	$133,868
2014	$141,385

Assessment Ratio

The assessment process for personal property includes an assessed value calculation which is accomplished by multiplying the full cash value by the assessment ratio for a specific class of property. Assessment ratios are defined by statute, and are associated with groups of property types called legal classes. Descriptions of the legal classifications established for property tax purposes, and the types of properties included in those legal classes, are provided in A.R.S. §§ 42-12001 through 42-12010. The assessment ratios that are assigned to each of those legal classifications are outlined in A.R.S. §§ 42-15001 through 42-15010. See Chapter 1 for further information.

SPECIAL PROPERTIES

Certain types of personal property are subject to special valuation or assessment procedures due to the nature of the property or because special legislative procedures have been adopted. This section contains information pertaining to various kinds of personal property that are in those special categories.

Aircraft

Aircraft registered for operation in Arizona, including commercially operated balloons and gliders, are subject to registration by the Arizona Department of Transportation, Aeronautics Division, as well as to a license tax administered by that agency. The license tax is in lieu of all property taxes on such aircraft. The license tax does not apply to regularly scheduled aircraft operated by an airline company for the primary purpose of carrying persons or property for hire in interstate, intrastate, or international transportation. Those aircraft are valued by the Arizona Department of Revenue, Centrally Assessed Property Section (a.k.a., Centrally Valued, or CVP), pursuant to A.R.S. § 42-14252. Personal property other than the aircraft of airline companies, such as ground support equipment, office and ticket counter equipment, and furniture, is subject to valuation by the county assessor of the county in which the property is located.

Animals – Exempt

Livestock, poultry, aquatic animals, and honeybees, if owned by a person who is "principally engaged in agricultural production," are exempt from property taxation pursuant to Article IX, Section 13, of the Arizona Constitution. See A.R.S. § 42-11126.

Animals – Taxable

All animals that are used for commercial purposes and that are not held for sale in the normal course of business are taxable. All such animals are valued at market value. Refer to Valuation Table 8 for the values of certain types of animals if their market value is unknown.

The following two questions may help to identify the status of an animal as being taxable or property tax exempt:

1. Is the owner principally engaged in agricultural production? If so, all livestock, poultry, aquatic animals, and honeybees owned by that person are exempt.
2. If the animal is not exempt, as per question number 1, is the animal used for commercial purposes? If the answer is yes, the animal is subject to valuation and assessment for property tax purposes.

The following examples demonstrate these concepts:

A. A greyhound dog that is actively used as a racing dog is taxable, as the animal is used for a commercial purpose. However, when the animal is no longer used as a racing dog and is adopted into a private home (i.e., it becomes a pet); the dog is no longer considered taxable.

B. A rancher breeds and raises horses. The raising and breeding of horses by the rancher is considered to be an agricultural activity, and therefore, the horses are property tax exempt. If, for instance, the rancher sells a horse to a business that provides trail rides, or to a licensed hunting guide providing pack animals, the horse then becomes taxable. However, if a horse is sold to an individual who keeps the horse only for personal recreational use, the horse is not taxable.

C. Animals owned by a circus or a private zoo are taxable. Animals owned by an exempt entity (e.g., The Phoenix Zoo) are tax exempt.

Artwork

Commercially-owned artwork and decorative accessories, including items such as paintings, pictures, statuary, vases, plants, and other decorations are valued according to Valuation Table 1 with a ten-year life. The owner must be engaged in art distribution in order to qualify for the inventory exemption. Fine art held for investment purposes is valued at one hundred percent of cost.

Billboards

Billboards are valued according to Valuation Table 8. Additional statutory depreciation does not apply to billboards. The value of billboards does not include the value of the site.

Cable Television

Cable television systems are valued using the same methods as other personal property. Total acquisition costs reported by the owner are modified by applying the appropriate trended valuation factor to arrive at the full cash value. Valuation factors are included in Chapter 6.

Cable television companies may span a region that encompasses more than one tax area. Therefore, when valuing the property, care must be taken to insure that separate values are computed for each tax area. To insure that this is accomplished, a separate worksheet should be used for each tax area code.

The types of equipment to be valued and assessed for a typical cable television company include service and test equipment, studio and local origination equipment, head-end equipment and towers, microwave equipment, distribution systems, deferred system costs, construction machinery and equipment, office furniture and equipment, tools, materials and supplies, and leasehold improvements. Use Valuation Table 1 for the valuation of distribution systems with a ten-year life, and Table 1 with an eight-year life for head-end equipment. Use Table 1 with a twelve-year life for receiving antennas.

Computer-Driven Equipment

Computer-driven equipment falls into the following two categories, with each one requiring separate valuation techniques:

1. **Computerized Equipment (External Computer)**

   This category includes machines that are controlled by computers where the computer is sold as a separate unit from the machine and can perform multiple functions exclusive of the machine. The computer equipment has the same expected life as personal computers and general purpose computers, and the machinery has an expected life that is assigned to its specific industry. Examples that may meet the definition of computerized equipment are computerized machine lathes or computerized assembly machinery.

This type of equipment should be valued in two components:

   a) The free-standing computer system component, including operating software, is valued as a computer using the acquisition cost of the computer and operating software.
   b) The equipment component is valued using the acquisition cost and the appropriate valuation table per Chapter 6.

2. **Computerized Equipment (Internal Computer or CPU)**

   This category includes machines that are controlled by an internal computer, or central processing unit (CPU). The machinery cannot operate without the computer and the computer or CPU cannot perform functions outside the machine. The machinery and computer are sold as a single unit. The components of the system are an integral and structural part of the equipment itself. Computerized equipment with an internal computer or CPU has the same industry-specific life as other machinery used in the same industry.

Computers and Peripheral Equipment

Personal computers, general purpose computers, operating software and peripheral devices that are used in a trade or business are valued as personal property. However, application software is not valued as personal property. The following definitions apply to these items:

- **Personal Computers and General Purpose Computers:** A computer is a programmable, electronically-activated device, capable of accepting information, applying prescribed processes to the information, and supplying the results of these processes with or without human intervention. It usually consists of a central processing unit containing, logic, arithmetic, and control capabilities. This includes personal computers, servers, mid range and main frame computers.
- **Peripheral Equipment:** Peripheral equipment is a device attached to a host computer but not part of it whose primary functionality is dependent upon the host, and can therefore be considered as expanding the host's capabilities, while not forming part of the system's core architecture. Peripheral equipment includes but is not limited to, keyboards, mice, printers, projectors, scanners, output video display devices including monitors, mass storage hard drives, (including solid state drives, thumb drives, tape or cassette drives).
- **Operating System Software:** Operating system software means the collection of software that directs the computer's low-level operations, controlling and scheduling the execution of application programs and managing the low-level operation of storage, input, and output and communication resources. It is the software necessary to power up and allows a user to interact with the computer. Examples of operating system software include Windows, MacOS, and Linux.
- **Application Software:** Application software is software that allows a computer to perform specific tasks beyond the capability of operating system software. Application software is not included in the acquisition cost of a computer, and is not included in

the assessed value of the computer. Application software, whether canned or customized for a specific application shall not be valued as personal property. Examples of application software include application suites such as Microsoft Office, enterprise resource software (such as JD Edwards, PeopleSoft and SAP), educational software, database management software (such as Oracle), and custom software designed for a specific user.

For valuation purposes, computers, operating system software and peripheral equipment, as defined above, are assigned a four-year life per Valuation Table 5 in Chapter 6.

Computerized equipment that is included in other categories of equipment is not included in the term “computer”, “software” or “peripheral devices”. Computer driven equipment is addressed above. Duplicating and copying equipment, and equipment that is used primarily for the amusement or entertainment of the user, such as a video arcade game, are not included in the term “computer”.

Construction Work in Progress

Construction Work in Progress (CWIP) is an account used in the accounting records of a company, where the various costs of construction are accumulated to record the costs of materials and parts, the labor cost of installation, and the overhead expenditures on certain projects under construction, such as facilities, or machinery and equipment assembly and installation.

Pursuant to A.R.S. § 42-15065, CWIP shall not be assessed by the county assessor until it has progressed to a sufficient degree for that personal property to be useful in the purpose for which it was constructed. CWIP is defined as the amount spent and entered as CWIP on the taxpayer's records as of the last day of the preceding year.

Environmental Equipment

Environmental equipment means the acquisition or construction cost of equipment and fixtures designed and constructed solely for control, reduction, prevention and/or abatement of discharges or releases into the environment of gaseous, liquid or solid substances, heat or noise, or for the control, reduction, prevention, or abatement of any other adverse impact of an activity on the environment.

Environmental equipment generally takes on the same life as the property to which it is attached or with which it is associated. For example, if air scrubbers are installed as part of a ventilation system, the scrubbers would take on the same life as the ventilation system. An exception would be where the environmental equipment or fixture had an expected life independent of the equipment to which it was attached or associated. In that case, it is necessary for the taxpayer to demonstrate that the expected life of the environmental equipment or fixture is independent and different from the associated equipment.

High Tech Dental Equipment

Most dental equipment is valued based on a ten year life. New technologies such as intra-oral scanners and chair side restoration equipment are becoming common place. The appraiser should be familiar with the technology behind the equipment in order to properly classify it. Some scanners use CT imaging. Such equipment could appropriately be classified as high tech medical imaging equipment.

Improvements on Possessory Rights (IPRs)

Improvements on possessory rights, also referred to as IPRs, are buildings, structures or other improvements located on land not owned by the owner of the improvements. These may be located on either taxable land or may be located on tax exempt land in which the owner of the improvements has a leasehold interest. Improvements on possessory rights are valued in the same manner as all other improvements, utilizing the construction cost system, where applicable.

Pursuant to A.R.S. § 42-19003, improvements on unpatented land, mining claims, or state land shall be valued as personal property on the personal property tax roll. The legal classification of improvements on possessory rights is determined by current use, unless the improvements qualify for assessment in legal class nine.

As examples, improvements on possessory rights may be located on:

- Taxable land, or
- Tax exempt land, where the improvement does not qualify for assessment as Legal Class Nine property, or
- Tax exempt land, where the owner of the improvement has a leasehold interest and the use of both the land and improvement qualify the improvement to be classified as legal class nine property with a one percent assessment ratio.

If IPRs are on taxable land, those structures should be assessed on the real property tax roll. If IPRs are located on tax exempt land the improvement value will be calculated each year and entered manually on the personal property tax roll.

Legal classes and assessment ratios are found in A.R.S. §§ 42-12001 through 42-12010 and A.R.S. §§ 42-15001 through 42-15010, respectively. A.R.S. § 42-12009 provides a description of the requirements for an IPR to qualify as legal class nine property.

Leased Equipment

According to the Generally Accepted Accounting Principles (GAAP) Guide, there are two types of leases: capital leases and operating leases. Equipment leased to a business (the lessee) under an operating lease is carried on the books of the lessor, who is considered to be its owner. A capital lease is one that transfers, substantially, all of the benefits and risks inherent in the ownership of property. These leases are also referred to as "sales type" or "direct financing leases." All other types of leases are referred to as operating leases.

Leased equipment should be assessed to the lessor regardless of who pays the taxes. Any unpaid taxes on personal property are a lien against both the property and the owner. The lessor can pass the taxes through to the lessee if the lease provides for it.

Equipment owned by a taxable leasing company and leased to an exempt entity, including governments and exempt schools, is not exempt. Exemption status of leased equipment is determined according to the owner's status. Exemption status is determined based on the use of the property and the taxable / exempt status of the lessor.

Leased Equipment at Centrally Assessed Locations

Based on Attorney General opinion 180-110 issued June 24, 1980, personal property leased by a utility, mine or railroad and that is used as a part of the operating property of the utility, mine or railroad should be valued by the department. As a result of this opinion, centrally assessed taxpayers are required to report all leased equipment that is used in the operation of their business to the DOR for property tax purposes. Any such property should not be valued by the assessor.

All information filed by taxpayers with the department is confidential under A.R.S. § 42-2001. Starting with the 1999 valuation year, centrally assessed taxpayers were requested to waive their confidentiality rights on the issue of leased equipment. The department shares this information with the assessors in order to insure that the leased property is not being assessed to both the lessee and the lessor.

Leased or Owned Equipment in Nonoperating Property

The property of a centrally assessed taxpayer that is <u>not</u> used as part of the “operating property” of the taxpayer, whether owned or leased, should <u>not</u> be valued by the department and is to be locally assessed. This property is referred to as “nonoperating” or “other” property on the balance sheet of the centrally assessed taxpayer. The taxpayer should report this property to the assessor’s office. Any questions concerning leased property or nonoperating property of a centrally assessed taxpayer should be directed to the Centrally Assessed Property Unit of the Property Tax Division of the Department.

Leasehold Improvements (Tenant Improvements)

Leasehold improvements are fixed improvements to the land or structures installed and paid for by a tenant or lessee. These improvements might consist of items which include storefronts, floor covering, dropped ceiling, lighting, and air conditioning. Leasehold improvements generally meet the definition of real property, (i.e., attached to the building and cannot be removed without damaging it or the real property with which it is being used). In some situations it may be convenient for both the taxpayers and the county assessor to list leasehold improvements on the personal property tax roll.

If leasehold improvements are reported by the taxpayer, the assessor should determine whether those improvements have been included in the value of the real property in which they are installed. That review is necessary to avoid double taxation of leasehold improvements on both the real and personal property tax rolls. When using the construction cost system to list a building with leasehold improvements, it is important that the interior not be separated from the rest of the building. The depreciation table used by the construction cost system is based on an entire building, not on just the shell. Listing the interior of a building separately from the shell will cause both the structure and interior to be undervalued.

If a new tenant occupies a building and remodels the interior, the standard interior would not be changed. If the tenant adds any leasehold improvements not included in the standard interior, or if an above-standard interior is added, those additional structural items may be listed on the personal property tax roll, and assessed to the tenant. If the income approach is used to value the real property, the comparable rent amounts used to establish market rent should include buildings with standard interiors. The same is true when using the sales comparison approach. Only sales of similar properties with similar interiors should be used.

Libraries – Commercial

Commercial libraries, such as those of accountants, architects, broadcasters, engineers, entertainers, lawyers, medical professionals, and related occupations, are taxable. These libraries may consist of hard and soft cover books, CDs, microfilm, and microfiche. Library contents are valued according to valuation table 1 with a ten-year life.

Rebuild or Refurbishment

After a period of use, equipment may need to be rebuilt or refurbished. Each rebuild situation is unique, and the extent and nature of the rebuild must be examined by the assessor to determine the effect, if any, on the value of the equipment. Some questions that must be answered in order to make a determination of value are:

1. Is this a repair or a rebuild?
2. Does the rebuild add to the life of the equipment?
3. Is the equipment being upgraded to do more than when the equipment was new, or perform a different function?

Generally, the costs of rebuilds are taxable if the life of the equipment is extended, or if the equipment is upgraded or enhanced. The cost of the rebuild would also be a consideration in the decision. The assessor may choose to remove a portion of the cost of the original equipment, if the portion of the cost of the original equipment that is being replaced can be specifically identified. The assessor may also choose to change the effective age of the equipment to reflect additional life that is added by the refurbishment.

Equipment that is temporarily out of service while being rebuilt is not considered construction work in progress (CWIP) and the equipment is taxable during the time it is being refurbished.

Security Systems

Intrusion alarm security systems are not included in the construction cost system. Intrusion alarms should be treated as personal property, valued using valuation table 1 with a five-year life.

Semiconductor Manufacturing Equipment, Integrated Circuit

The semiconductor schedule is intended to apply to manufacturing equipment used in the production of semiconductor (integrated circuit) products. A single schedule has been selected for all product lines within the industry, rather than establishing separate schedules. The schedule for semiconductor (integrated circuit) personal property was developed to be representative of the most probable life of a wide variety of equipment specifically used in semiconductor manufacturing.

The semiconductor schedule should not be used for equipment which is not an integral part of a semiconductor manufacturing facility. For example, it should not be applicable to equipment used by outside suppliers for the manufacturing or combining of chemicals, even though the chemicals may later be sold to and used by a semiconductor manufacturer. Such equipment is not industry specific.

This schedule applies to all front-end (crystal growing, photo mask, and wafer manufacturing) and/or back-end (assembly, die assembly, wire bonding, encapsulation, final test, and burning) equipment. It also applies to specialized services dedicated to production equipment, such as clean rooms, electrical services, chemical and gas lines, deionized water plumbing, product pilot-line equipment, and equipment that is used to produce prototypes of new devices that are to be manufactured. An owner does not have to be engaged in both front-end and back-end production in order to utilize this schedule.

Technical change is the primary factor leading to the decline of equipment value in the semiconductor industry. A five-year life applies to equipment used for semiconductor manufacturing, research, and development. Manufacturers may have items of equipment located in a facility that have different lives than other equipment in the same facility. The five-year life was established to be an average of all the manufacturing equipment typically used in the industry. (See five-year life on Valuation Table 2 in Chapter 6.)

Note: For manufacturing of discrete semiconductors, use a five-year life on Valuation Table 1.

Signs (Other Than Billboards)

Signs are valued according to Valuation Table 1, ten-year life.

Spare Parts

Spare parts that were acquired as part of an equipment package and that are included in the cost of that package should not be reported separately as taxable personal property. The cost of those spare parts is included with the total acquisition cost of that equipment.

Spare parts that have been acquired separately from the purchase of the equipment are considered supplies, and should be reported as taxable personal property.

Supplies

Supplies means items or materials consumed in the operation of a business, but does not mean items of raw material or inventory exempted from taxation by the Arizona Constitution. Supplies are valued at one hundred percent of cost. Additional statutory depreciation does not apply to supplies. Supplies on hand on December 31 must be reported. All supplies must be included, even if they were reported in prior years. They include, but are not limited to, office supplies and stationary, lubricants, fuels, spare and replacement parts, tires, and fertilizers.

The presence of a name or logo on supply items does not diminish the value to the owner of the items.

Animal and poultry feed, including salts, vitamins, and other additives for animal and poultry consumption, were exempted from taxation by the legislature for the 1991 and subsequent tax years. See A.R.S. § 42-11123.

Consumable items held for sale are considered inventory. The important factor in determining whether an item is a supply or an inventory item is whether or not the item is typically held for sale by the business or manufacturer. Office supplies, for example, would be considered as inventory to a business which sells those office supplies, but would normally be considered supplies to a business office or to another type of retail store. Parts that are kept on hand to repair and maintain existing equipment are considered to be supplies if they were not acquired in the acquisition cost of an equipment package. Items that are consumed in processing, but which have a primary function other than that of the product or service in which they were used, are considered supplies.

Tools, Molds, Dies and Jigs

The appraiser will have to determine from the individual manufacturer the average life of the equipment used in current production before applying the factor from valuation table 1.

Pertinent information concerning the economic life of such types of equipment should be supplied to the county assessor by the property owner if it is to be considered when the property is valued. That information is subject to verification by the county assessor.

Used Equipment

As a general rule, used equipment value is based on its acquisition cost to the current owner. In some cases, such as when that property's acquisition cost does not represent an arm's-length transaction, other methods may be used to value the property.

Illustrations of several techniques for the valuation of individual items of used equipment, and the used equipment of an entire business, are included below as guidelines.

Individual Used Equipment Items

For individual items of used equipment, the following valuation methods are recommended:

1. If the date of acquisition and the acquisition cost to the current owner are known, the appraiser should:

    a. Establish that the acquisition cost is consistent with the current RCNLD for similar equipment of the same age.

    b. Estimate the remaining economic life of the equipment, or determine that the condition of the property will permit depreciating as if new.

    c. Enter the purchase price as the acquisition cost into the personal property valuation system.

    d. Enter the current owner's year of acquisition.

    e. Enter the estimated remaining economic life of the used equipment as the expected life. The computerized personal property valuation system will then override the date of acquisition, and compute a value based on the acquisition cost and the estimated remaining economic life for the used equipment as if it were new.

2. If a new owner provides documentation supporting the acquisition cost and year acquired as reported by the former owner:

   a. Enter the original acquisition cost and year acquired into the computerized personal property valuation system.

   b. The system will then compute a value based on that original acquisition cost and date in the same manner as for any other equipment.

3. If the reported acquisition cost for equipment is inconsistent with the current RCNLD for similar used equipment, and if the appraiser knows the year of acquisition when the equipment was new, the following alternative method may be used to determine value for the equipment:

   a. Compute the acquisition cost new that would result in a current RCNLD if factored back to the original acquisition year.

   b. Enter the calculated acquisition cost and known acquisition year when the equipment was new into the personal property system. This information will be used as the basis for continuing the valuation process for that equipment.

This last method should only be used as an alternative when the other methods cannot reasonably be used.

Used Equipment Acquired With Business

For used equipment that was acquired as part of an entire business, the following methods are recommended.

1. If the new owner reports the acquisition cost of used equipment which was stated separately from the other property in the transaction, the appraiser should:

   a. Estimate the remaining economic life of the personal property based on consideration of the dominant categories of machinery and equipment acquired with the business.

. Enter the current owner's year of acquisition and acquisition cost of the used equipment as a single lot or lump sum. The valuation system will then compute values based on that information utilizing the personal property valuation schedules.

2. If the new owner provides documentation supporting the acquisition cost and year acquired as reported by the former owner, the taxpayer's reporting and valuation of the used equipment would continue as if there were no change in ownership.

3. If there is not a reliable breakdown of the acquisition cost of the entire business for the personal property portion, the appraiser should determine if a field inventory of personal property items is necessary to establish a current list of personal property and current values for that property.

   If acquisition costs to the original owner of the property are not known, and costs to the current owner cannot reasonably be determined, appraised values determined by the appraiser may be entered using the current year of acquisition, and current appraised value for those property items.

Vaults and Vault Doors

Vault doors may be assessed as real or personal property, depending on their ownership. Vaults are normally considered to be part of a building and are usually classified as real property. Vault doors, including inner gates, are usually found in buildings occupied by banks and other financial institutions. If the door is owned by the owner of the building in which the vault is located, it will be valued as part of the vault, which is real property. If the building is leased and the vault door is owned by the tenant, the vault door will be valued and assessed as personal property by using Valuation Table 6 with a fifty-year life.

Vehicle Mounted Equipment

Vehicle mounted equipment is defined as equipment which, once installed, creates a definite interior or exterior change to the vehicle, and is not easily removable. Some examples of vehicle mounted equipment are: MRI, satellite broadcast equipment, concrete pumpers-with or without attachments, concrete mixers, cranes, booms, loaders, water-well rigs (including rotary drilling), fuel tank haulers with service equipment for off-highway vehicles, generator / welding equipment units, drilling exploration units on a three or four-axle vehicle, trash and sanitation truck equipment - except container haulers and telescopers.

Dealer modifications prior to the initial sale of the vehicle are generally included with the in lieu of vehicle license tax (VLT) and should not be valued by the assessor. If the vehicle-mounted equipment is not included in the VLT, the assessor should include the value of the equipment on the appropriate table. The county assessor can ask for a copy of the registration of a vehicle to determine if the vehicle-mounted equipment is included in the VLT.

Video Tapes, Games, DVDs – Rental

Rental video tapes, games, and DVDs are assigned an acquisition cost of $7.00 per item. They are then depreciated over a two-year life according to Valuation Table 5 for a two-year life in Chapter 6. Rental video tapes, games and DVDs in the applicable subclasses of legal classes one and two are eligible to receive additional statutory depreciation, pursuant to A.R.S. §§ 42-13054 and 42-13353. The owner shall report the number of rental video tapes, games and DVDs on hand as of December 31 of the preceding year. If the owner is reporting for the first time and has rental tapes or discs acquired in a year other than the preceding calendar year, the year of acquisition and number of tapes, games and DVDs acquired in each prior year should be reported to maintain account accuracy; they are valued at minimum value if eligible. Additions or deletions of rental video tapes, games and DVDs during the preceding calendar year should be reported for the current tax year.

Walk-in Coolers or Freezers

Walk-in coolers or freezers constructed of prefabricated panels are appropriately classified as personal property, based on the following:

1. Most walk-in coolers and freezers constructed in the last fifteen to twenty years are constructed from prefabricated panels, with glass display doors and dedicated mechanical equipment.
2. The walk-in coolers and freezers are purchased for and / or by the business owner, and not by the owner of the building. (Many new stores are in leased locations.)
3. When a store is remodeled, the size and location of walk-in coolers and freezers are often changed within the store.
4. When a store terminates operations at a location, the walk-in coolers and freezers are generally relocated or disposed of by the business owner.

Portable coolers or freezers are considered to be personal property. When a building contains a walk-in cooler or freezer that was constructed as part of the building and is permanently annexed into the building, the unit should be classified as either real property or as a leasehold improvement. Walk-in coolers and freezers assessed as personal property will be valued by using Valuation Table 1, with a ten-year life.

Watercraft

Watercraft that are registered for operation in Arizona, other than those watercraft owned and operated for any commercial purpose, are exempt from ad valorem property taxes. This exemption, granted by the Arizona Constitution, Article 9, Section 16, establishes that only commercially-owned and operated watercraft and unregistered watercraft are subject to ad valorem taxes. Jet skis, houseboats, and other pleasure watercraft are also taxable if owned and operated commercially. Valuation information on a taxable watercraft is normally provided by the owner. If the value of the watercraft is not known by the owner, the National Boat Book, published by National Market Reports Inc., or other similar reliable valuation guide books, can be used to establish a current value.

CHAPTER 3

MANUFACTURED HOUSING AND MOBILE HOMES

INTRODUCTION

Arizona property valuation statutes define a “mobile home” as a structure that is transportable in one or more sections including the plumbing, heating, air conditioning, and electrical systems that are contained in the structure and that, when erected on site, is either of the following:

1. Greater than eight feet in body width, thirty-two feet or more in body length and built on a permanent chassis;
2. Regardless of the size, used as a single-family dwelling or for commercial purposes with or without a permanent foundation.

TYPES OF MANUFACTURED HOUSING AND MOBILE HOMES

Manufactured Home: A structure built on or after June 15, 1976, that is eight or more feet wide and forty or more feet long, has a permanent chassis, is transportable in one or more sections, is equipped with complete plumbing, heating, and electrical systems from the factory, and is designed to be used with or without a permanent foundation as a dwelling when connected to on-site utilities. Manufactured housing is built in accordance with the National Manufactured Home Construction and Safety Standards Act of 1974, and Title VI of the Housing and Community Development Act of 1974. Federal regulations control both the design and construction of all manufactured housing.

Mobile Home: A structure built prior to June 15, 1976, on a permanent chassis, transportable in one or more sections, and designed to be used with or without a permanent foundation as a dwelling when connected to on-site utilities. This category does not include recreational vehicles or factory-built buildings.

Mobile Office: A structure built on a permanent chassis, capable of being transported in one or more sections, and designed to be used with or without a permanent foundation as an office or commercial space when connected to on-site utilities. Mobile offices are further classified for valuation purposes as units eight feet wide and units more than eight feet wide.

Park Model: A structure built on a single chassis, mounted on wheels, and designed to be connected to utilities for operation of installed fixtures and appliances. A park model has a gross trailer area of not less than three hundred twenty square feet and not more than four hundred square feet when it is set up. This category does not include fifth-wheel trailers. Park models are further classified for valuation purposes as units eight feet wide and units more than eight feet wide.

Recreational Travel Trailer: A structure mounted on wheels, designed to provide temporary living quarters for recreational, camping or travel use, being of a size or weight that may require a special highway movement permit when towed by a motorized vehicle, and having a trailer area of less than three hundred twenty square feet. This category includes fifth-wheel trailers. Most travel trailers are licensed and taxed in the same manner as motor vehicles. Travel trailers are assessed as personal property if the units are unlicensed, have expired licenses, or their use changes.

Factory Built Buildings: A factory-built building, also referred to as a modular building, is a residential or nonresidential building which is either wholly or in substantial part manufactured at an off-site location, however it does not include a manufactured home, recreational vehicle, or mobile home. Factory built buildings are distinguished from manufactured housing by the building code specifications to which the building is built. Manufactured housing as discussed above is built to the HUD Code. Factory built buildings are built to International Building Code. A factory-built building is to be valued as a real property improvement, using standard appraisal methods and techniques, and is not to be valued as a mobile home.

MOBILE HOME LOCATION AND IDENTIFICATION

Due to the nature of mobile homes, location and identification of these properties is more complex that with site built homes. Identification of a taxable mobile home at a specific location can be accomplished by the county assessor in several ways. Some common methods are:

- **Property Statement:** A mobile home is occasionally reported on one of the above property statements. If a mobile home is listed on one of these forms, the county assessor should verify that the unit has been properly assessed.

- **Manufactured Housing (Mobile Home) and Mobile Office Acquisition and Sales Report (DOR 82525):** A dealer or broker who participates in the sale of a previously titled mobile home unit is required to report that sale to the DOR and to the assessor of the county in which the dealer is located, using this report. The report contains data identifying the mobile home unit, its address of origin, the destination address, and facts concerning the sale. Mobile home dealers are not required to report the sale of new mobile units and private individuals are not required to use this form to report transacted sales. DOR maintains files of mobile home sales activity for each county based on information reported by dealers and brokers. These files include a listing of previously titled mobile home units sold within the county. Availability of specific information may vary by county.

- **Mobile Home Property Tax Clearance (DOR 82504):** A Mobile Home Property Tax Clearance is required prior to the transportation of a mobile home unit greater than eight feet wide when a mobile home is transported to a new owner's premises from the factory, a dealer, or a previous owner. The tax clearance is issued by the assessor of the county in which the mobile home is currently located. A.R.S. § 28-1104(E).

- **Mobile Home Park and Trailer Court Operator's Report to County Assessor (DOR 82505):** Mobile home park operators maintain registers of mobile home activity in their parks. These registers list changes in occupancy, identifying units that are moved into and out of the parks. Mobile home park operators are required to provide a copy of the register to the county assessor each month.

- **Mobile Home and Travel Trailer Register (DOR 82505A):** Persons who permit a mobile home to be placed on land that they own, possess, or control, are required to keep a register of information concerning that mobile home if it is occupied as a dwelling or sleeping place for one or more persons for a period of thirty days or more. A.R.S. § 42-19154. Register forms require the disclosure of information to identify the mobile home, any lien holder, and the owner.

- **Motor Vehicle Division of the Arizona Department of Transportation:** The Motor Vehicle Division (MVD) provides the counties with a monthly report which lists applications for title and transfers of title for new and existing mobile homes and travel trailers in that county. Information from this report may be used to update ownership records.

- **Office of Manufactured Housing - Application for Mobile / Manufactured Home Installation Permit (the ADFBLS Form 189):** Prior to placing a mobile home on a site, mobile home owners are required to apply for a Mobile/Manufactured Home Installation Permit from the Office of Manufactured Housing in the Arizona Department of Fire, Building and Life Safety (ADFBLS). This permit is required for either a new placement or a replacement mobile home on site. Typically, the zoning departments of county, city, or town governments provide the county assessors with copies of installation permits.

- **Mobile Home Park Field Checks:** Appraisers periodically recanvass mobile home and travel trailer parks to list mobile homes that may not be on the tax roll. Field checks may also identify new improvements (add-on items), such as carports, porches, and concrete slabs that have not been previously listed.

- **Real Property Field Checks:** In the course of their field work, real property appraisers often discover unreported mobile homes in use. Appraisers should list identifying information such as size, make and model number, vehicle identification number(s) (VIN) or serial number(s), to update the county assessor's records.

EXEMPTIONS

Although Arizona law authorizes exemptions for widows, widowers and disabled persons, reference to personal property tax exemptions in this manual are limited to two items regarding mobile homes: Arizona residency status, and the taxation of military personnel. Information pertaining to other exemptions may be found in the department's Assessment Procedures Manual.

Arizona Residency Status

Pursuant to A.R.S. § 42-19153(3), taxation shall not apply to mobile homes properly licensed in another state which are owned by a bona fide tourist in this state. Taxation does apply to owners who are residents of Arizona as defined by statute. For the purpose of determining whether or not a mobile home in this state is subject to the tax provisions and the requirements regarding titling under the provisions of Chapter 19, Article 4, "resident" includes the following:

a. A person, except a tourist or an out-of-state student, who owns, leases, or rents a dwelling in the state and occupies it as a place of residence.

b. A person who, regardless of domicile, remains in the state for a consecutive period of six months or more.

c. A person who engages in a trade, profession or occupation in this state, or who accepts employment in this state in other than seasonal agricultural work.

d. A person who places a child in a public school without paying nonresident tuition.

e. A person who declares that the person is a resident of this state for the purpose of obtaining, or paying at resident rates, a state license or tuition fees at an educational institution that is maintained by public monies.

f. Any individual, partnership, company, firm, corporation or association that maintains a main office, branch office, or warehouse facilities in the state and bases and operates motor vehicles in this state.

The provisions of Chapter 19, Article 4 do not apply to "any trailer that is eight feet or less in width and less than thirty-two feet in length and that is not used as a place of residence or for a commercial purpose" (i.e., a travel trailer). A license tax in lieu of ad valorem property taxes is assessed on those trailers in the same manner as on other vehicles.
A.R.S. § 42-19153(2).

SERVICE MEMBER'S CIVIL RELIEF ACT OF 2003

For those persons serving in the United States armed forces, the Service Members' Civil Relief Act of 2003 (which superseded the Soldiers and Sailors Civil Relief Act of 1940) establishes federal policy regarding taxation of military personnel who are on active duty in locations other than their state of domicile. In most cases, the host state (Arizona) cannot impose personal property taxes on property owned by persons in the military service if they are domiciled in another state but are stationed in Arizona solely due to military orders. 50 U.S.C. App. §§ 501 - 596. There are three specific cases in which mobile homes, or other items of personal property owned by military personnel, are subject to taxation in Arizona:

1. Personal property owned by military personnel and used in a trade or business is subject to taxation by the presiding jurisdiction. States and their political subdivisions are not prohibited from taxing business personal property owned by service personnel residing in the state solely by reason of military orders.

2. Any mobile home owned by a person in military service is subject to property taxation if that person's legal residence is Arizona upon entering military service, unless that person changes their residence to another state within the meaning of the Service Members' Civil Relief Act.

3. An affixed mobile home, which is no longer considered to be personal property, is subject to taxation even though it is owned by a person in military service who is present in Arizona solely for the reason of military orders. An affixed mobile home is a mobile home for which an Affidavit of Affixture has been recorded, changing the assessment of that mobile home from personal property to real property. Language

in 50 U.S.C. App. § 571 clearly states that taxation applies specifically to personal property.

The joint interest of a nonmilitary owner, who has part-ownership in a mobile home with a person in military service who is present in Arizona by reason of military orders, is taxable to the extent of the joint interest of the nonmilitary owner, including the interest of a spouse of the person in military service. If a person in military service, who is present in Arizona solely by reason of military orders, is transferred to another post outside of Arizona but elects to maintain their family and mobile home in Arizona, the interest of the person in military service in the mobile home is still considered exempt from property taxation in this state.

VALUATION OF MOBILE HOMES

The county assessor values all mobile homes (regardless of which roll the unit is listed on) at market value. Full cash and limited property values are calculated for all mobile homes.

Note: In 2012 Arizona voters passed Proposition 117 which places a 5% limit on annual Limited Property Values increases where no change has been made to the property. This change will take effect for tax year 2015.

All mobile homes, park models, and travel trailers are valued using information on the title (year, make, size, and factory list price) and the complete vehicle identification number(s) (VIN) or serial number(s). Additional data as necessary should be collected to allow the assessor to accurately value the home. Site improvements may be added from a data collection form. Since system requirements vary, office procedures should be followed regarding the listing and valuation of improvements such as room additions and decks or porches.

The DOR provides two methods for the valuation of mobile homes in Arizona - the "factory list price" method and the “square foot” system. The square foot system is available for mobile homes that are in excess of four hundred square feet. (Additional adjustments may be necessary when used for park models, travel trailers or mobile offices.) Regardless of the valuation method chosen, mobile homes are valued at market value using standard appraisal methods and techniques.

SQUARE FOOT METHOD

The square foot valuation system is based on Marshall and Swift's square foot cost system. The key features of the square foot cost system include:

- The use of replacement cost new less depreciation rather than historic cost less depreciation.
- The quality indicator and grade are based on the original quality of the mobile home.
- There are different depreciation schedules for single- and double-wide mobile homes.
- The depreciation tables are created using mobile home sales.

The replacement cost new of the mobile home is calculated based on the size of the mobile home, the number of sections and the construction quality. It is important to understand that the square foot method uses livable square footage. The appropriate valuation factor is applied to the replacement cost new to arrive at the replacement cost new less depreciation for each mobile home. The replacement cost will be adjusted annually to reflect changes in the manufacturing costs of new manufactured housing units. Valuation Table 15 in Chapter 6 contains valuation factors for the square foot system.

FACTORY LIST PRICE METHOD

The factory list price system uses factory list price adjusted to current market value. The factory list price is established at the time of factory shipment by multiplying the cost on the dealer's invoice, less the freight cost, by an adjustment factor of 1.30 and then adding back the freight cost. The dealer's invoice is the cost of the unit as shipped to the dealer's lot from the factory. Multiplying by the 1.30 factor provides for a trade-level adjustment from wholesale to retail.

For example:	dealer invoice cost	$26,785
	less freight	– 430

subtotal:	$26,355
multiply by 1.30 factor	x 1.30
subtotal:	$34,262
add back freight	+ 430
factory list price	$34,692

The dealer will enter the factory list price in the Factory List Price block of the application for certificate of title and registration. The list price is applicable to the production model as it was delivered from the factory. The costs of dealer-installed optional accessories or household goods should not be added to the dealer's invoice price.

When calculating the factory list price of a mobile home consisting of two or more sections, the dealer should divide the total factory list price equally between each section's application for certificate of title and registration. When a dealer is not involved in a mobile home sales transaction, it is the seller's responsibility to furnish the factory list price on each application for certificate of title and registration. If the factory list price is not available from the seller, an alternative source, described below, may be consulted.

For used mobile home units transported into Arizona that are to be titled for the first time in this state, an original factory list price may be obtained from the following sources:

1. The original dealer or manufacturer may be contacted to provide information from the original factory invoice to dealer.
2. The current retail price can be used to calculate an estimated factory list price, by dividing the average retail value by the appropriate valuation factor from Valuation Table 14 in Chapter 6 of this manual.

Once the factory list price has been determined, the appropriate valuation factor is applied to it. Mobile home valuation factors adjust the factory list price to current market value, producing a current full cash value. The valuation factors are adjusted annually by the department based on sales of mobile homes as reported each month. Adjustments are made after analyzing the relationship of mobile home factory list prices and current selling prices, categorized by mobile home type and age.

Valuation Table 14 in Chapter 6 contains valuation factors for each of these six types of units:

Code 72	Manufactured Housing and Mobile Homes
Code 721	Recreational Travel Trailers: 8' wide, 32' long or less
Code 722	Mobile Offices: 8' wide or less, 40' long or less
Code 723	Mobile Offices: greater than 8' wide, greater than 40' long
Code 724	Park Models (not Self-Contained): 8' wide, and 33' - 40' long
Code 725	Park Models (not Self-Contained): greater than 8' wide, and 33' - 40' long

Improvements

Regardless of the valuation method that is chosen for the mobile home, all other improvements to the mobile home are valued using the construction cost system and are added to the value of the mobile home.

The following are some examples of items not generally included in the factory list price or the square foot costs of manufactured housing. The items are valued using a Marshall & Swift building cost system. This list is for illustrative purposes only and is not meant to be all inclusive.

Examples of Improvements Valued Using Marshall & Swift Building Cost Data:

Central air conditioning
Central evap. cooling
Window cooling units installed in a wall
Skirting
Foundation

Stem wall

Awnings

Carports

Storage buildings – permanently installed

Room additions

Garages

Stucco (installed after delivery)

Tile roofing (installed after delivery).

Examples of Additional Components Used for Homes Located on Private Land:

Site preparation

Water, gas and sewer system hookups

Septic tanks

Pavement (asphalt or concrete)

Examples of Household Personal Property (Exempt):

Window cooling units

Storage sheds – movable

Furniture

ADDITIONAL FACTORS AFFECTING VALUATION

The following are examples of additional factors that affect the value of a mobile home:

1. There has been excessive wear and tear on the mobile home due to such factors as weather, deferred maintenance, or related events. In these cases, the valuation factor tables provided may not truly reflect the actual condition of the mobile home. The county assessor may use discretion in applying depreciation after a physical inspection has been made. Depending on system requirements, this is accomplished by effective age, obsolescence, or quality adjustments.

2. The mobile home (usually a single-wide) has been completely absorbed by its surrounding additions to the point that the mobile home has lost its identity. When a mobile home has been completely assimilated into the total structure, and the owner has either obtained a dismantling permit from the Department of Transportation, or has recorded an Affidavit of Affixture, the mobile home should then be valued as a part of the structure and not as a mobile home. The county assessor should value the mobile home portion and the surrounding additions using the same standard appraisal methods and techniques as those that are applicable to any other conventionally-constructed improvement. If the owner has not obtained a dismantling permit, or has not recorded an Affidavit of Affixture, the structure (less the square footage of the mobile home) shall be valued separately from the mobile home. In this instance, the mobile home must be listed as personal property.

3. Modernization of a home tends to extend the remaining life of the improvement. Such things as bringing the electrical service or plumbing system up to date to meet code would be considered modernization. Reroofing or painting fall under the category of normal maintenance and are not, in themselves, considered to be modernization. Significant upgrades can be addressed either by a quality adjustment (square foot system) or by using an effective age (factory list price system).

4. In some areas, homes may routinely sell at a premium (for example, homes located on waterfront property or in resort areas). In other areas, the market may be depressed or the location may be undesirable for homebuyers. If sufficient data exists to calculate the effect of location on the value of a mobile home, the assessor may use discretion in applying location or market area adjustments to all similarly located homes.

If a home has been recently sold, there may be instances when the county assessor's valuation of a mobile home differs from the purchase price for that mobile home. These cases require market research to verify the valuation information. Market sales data for comparable mobile homes should be carefully examined. The county assessor's valuation should **not** be adjusted if it is supported by information from these sources.

As with the market research of comparative sales for all types of property, the sales data used for mobile homes should be examined carefully. Market influences on the sale price include a transaction that:

- Was not an arms-length transaction.
- Was a distressed or liquidation sale.
- Involved a trade-in.
- Included delivery and set up costs.
- Yielded the buyer a better bargain, or the seller a higher price, than is typical.
- Lowered the sale price as an inducement for the buyer to purchase a parcel of land.

ASSESSMENT OF MOBILE HOMES

All mobile homes in Arizona are subject to property taxes from January 1 following the day they enter the state. A.R.S. § 28-2063 requires that all mobile homes kept in Arizona must be titled with the Department of Transportation, and the required fees paid, except for those mobile homes that:

1. Are owned and held by a dealer solely for the purpose of sale.
2. Are owned and operated exclusively in the public service by the federal government or its political subdivisions. Such mobile homes are titled, but are not taxed.
3. Have a recorded Affidavit of Affixture.

The assessor of the county in which the mobile home is located will list the mobile home on the personal property tax roll, whether or not it is titled, except in the three cases stated above. Any new or used mobile home on land owned by the home owner for which an Affidavit of Affixture is recorded will be assessed on the personal roll until the next real property tax roll is prepared. When listed on the real roll, the mobile home will be assessed as an improvement on the land. A.R.S. § 42-15204. If the ownership is transferred after January 1, the owner of record on the third Monday in August is responsible for all current-year personal property taxes.

Selection of Legal Class

In accordance with A.R.S. §§ 42-12001 through 42-12010, a mobile home is to be assigned a legal classification based on its current use. See Chapter 1 for an abbreviated listing of legal classes.

Mobile Homes in Legal Classes One and Two

Mobile homes or mobile offices that are being used for purposes that classify them in qualifying subclasses of legal classes one or two are eligible to receive additional statutory depreciation, pursuant to A.R.S. §§ 42-13054 and 42-13353.

In addition to the application of additional statutory depreciation, the full cash value of qualified mobile homes or mobile offices should be considered when applying the exempt amount allowed by A.R.S. § 42-11127. Personal property records must be reviewed to determine if those taxpayers who own mobile home units that are classified for uses other than residential also own other personal property. If so, the full cash value of the commercial or agricultural use mobile home units must be added to the full cash value of their other reported personal property. The sum of the full cash values from both sources represents a total full cash value. This total value is the starting point from which the exempt amount is deducted. Reference chapter 2 for the latest tax year figure. See also A.R.S §42-11127.

Selection of Tax Roll

Placement on either real or personal roll is determined by how the home is titled. A home titled through MVD must be placed on the personal roll. If the home is affixed, one of the following methods is used to determine its placement.

Affidavit of Affixture – Land Owned By Homeowner

The owner of a mobile home that wishes to "permanently affix" the home to the real property may file an affidavit of affixture. A permanently affixed mobile home is a mobile home that is installed on real property, where the real property and the mobile home have identical ownership. A.R.S. § 42-15201(2). Affixed does **not** mean that the mobile home is physically attached to the land. The Affidavit of Affixture process is a legal process, not a physical one. No physical changes to the mobile home are required in order to file an Affidavit of Affixture.

The Affidavit of Affixture must contain the information that is required under A.R.S. § 42-15203, including the vehicle identification number(s) (VIN) or serial number(s) of the mobile home, and the legal description of the real property to which the mobile home has been affixed. The affidavit is recorded in the same manner as a deed, and replaces the title. When an Affidavit of Affixture is recorded, the owner surrenders the original Certificates of Title or the Manufacturer's Statement of Origin (MSO) to the Arizona Department of Transportation as required by A.R.S. §§ 42-15203 and 28-2063(A)(3). The mobile home will be assessed on the personal property tax roll for the first year and remain there until the next real and personal property tax rolls are prepared. A.R.S. §§ 42-15204.

Affidavit of Affixture – Mobile Home located on Leased Land

In some cases, it is permissible to file an Affidavit of Affixture to affix a mobile home to a leasehold interest in leased land. Regardless of whether a mobile home in a space rental park is affixed or not, the mobile home is still assessed as personal property. A.R.S. § 33-1501 sets very strict requirements that must be met in order to file an affidavit of affixture for a mobile home located in a space rental park.

The requirements for affixing a mobile home in a space rental park are:

1. The mobile home must be installed on the rental space in compliance with applicable state and local installation standards, and the wheels and axles must be removed.

2. The rental space must be the subject of a minimum twenty-year lease between the landlord and tenant, and the lease must specifically permit an Affidavit of Affixture to be recorded.

3. A memorandum of lease containing all of the following must be recorded:

   - The names and addresses of the landlord and tenant.
   - The duration of the primary term of the lease.
   - The conditions of any lease renewal provisions.
   - The make, year, size, manufacturer's list price, and vehicle identification number(s) (VIN) or serial number(s) of the mobile home.
   - The legal description of the real property on which the mobile home is located.
   - The acknowledged signatures of both the landlord and the tenant.

4. The lease and the memorandum of lease must both contain a legal description of the rental space on which the mobile home is located. The following are sufficient descriptions of a rental space:

   - A recorded subdivision plat that identifies the individual spaces in the community.
   - A recorded "Leasehold Map" containing a legal description of the park as a whole, which must show the locations of all rental spaces with a unique number assigned to each space. The map must identify the mobile home park by name and contain a certification by the owner that it accurately shows the location and dimensions of all rental spaces.
   - A metes and bounds description of the real property that is subject to the lease.
   - A reference to a lot number that is contained in an unrecorded plat of the mobile home park, if a legible copy of the plat is attached to both the

memorandum of lease and the Affidavit of Affixture, and each copy of the unrecorded plat sets forth the exact dimensions of the mobile home lot. The location of the lot shall be shown on the plat so that the lot can be located with certainty.

- A reference to a lot number that is contained in a development plan that has been reviewed and approved by the county or municipal planning department that has jurisdiction over the land depicted in the development plan. The description is sufficient if it contains the name and date of the development plan, the lot number of the designated lot and the actual or approximate date of approval of the development plan by the planning department.

5. The Affidavit of Affixture shall contain all of the following:
   - The make, year, size, manufacturer's list price, and vehicle identification number(s) (VIN) or serial number(s) of the mobile home.
   - The legal description of the rental space.
   - The identity of the most recent person to whom a personal property tax bill on the mobile home was sent and its location when last taxed. Alternatively, a statement that the mobile home has not been previously assessed or taxed.
   - The identity of the lien holders on the mobile home.
6. The certificate of title must be surrendered to MVD and a receipt for the title must be filed with the county assessor.

THE MOBILE HOME RELOCATION FUND

The purpose of the mobile home relocation fund is to assist tenants with the cost of relocating their mobile homes from mobile home parks when an intended change in use of the land comprising the park is about to occur. A.R.S. § 33-1476(H). Refer to the "Landlord Tenant Act for Mobile Home Owners," published by the Arizona Secretary of State, for statutory references relating to the mobile home relocation fund.

Mobile homes located in space rental parks are subject to an assessment of fifty cents per one hundred dollars of the assessed valuation, imposed on each of their mobile home units for the purpose of generating monies for the relocation fund. It does not apply to park models or to travel trailers. The assessed value is derived by applying the applicable assessment ratio as specified in A.R.S. §§ 42-15001 through 42-15010 to the limited property value. A.R.S. § 33-1476.03. The assessment is charged against the value of the mobile home only, not against the improvements or add-on items connected to the mobile home.

MOVING MOBILE HOMES

Mobile Home Property Tax Clearance (DOR 82504*)*

It is unlawful for any person to knowingly sell or to move a mobile home from its location, if applicable property taxes have not been paid and are considered delinquent. A.R.S. § 42-19155. Persons involved in the sale, transfer, or transport of a mobile home are required to obtain a Mobile Home Property Tax Clearance from the assessor in the county from which the mobile home is being moved. The tax clearance serves as evidence of payment of property taxes applicable to that mobile home. Before issuing a clearance, the county assessor should consult the following sources to ensure that all property taxes applicable to the mobile home are paid in full:

1. Motor Vehicle Division (MVD): Delinquent tax records for mobile homes are designated by a "code 67" in the MVD’s system. If a code 67 is indicated when verifying the mobile home VIN(s) or serial number(s) with the MVD, the county assessor should note the year, county, and tax roll number of the delinquent taxes. MVD system records may indicate that taxes are unpaid in another county. A permit may be issued provided that there is no code 67 on the MVD's system.
2. County Treasurer: Records of property tax payments and delinquencies in each county are maintained by the county treasurers. If delinquent taxes are found, a tax clearance should not be issued. If a delinquency is discovered on the MVD system, but has been cleared through the treasurer system, a form MH-100 may be issued with the tax clearance to allow MVD to issue a permit.

If the county assessor discovers that there are no county records for a particular mobile home, the mobile home's VIN(s) or serial number(s) should be verified. If the mobile home was previously located in another county, that county should be contacted to verify that there are no delinquent property taxes applicable to the mobile home.

The county assessor who issues a tax clearance provides a copy to the applicant, who is typically the owner or mover. The applicant presents their copy of the form to the Department of Transportation (ADOT) as evidence of the property tax payment. The MVD will then issue a permit to haul an oversized-load, as required for mobile homes over twelve feet wide. When issuing a tax clearance, the following information must be completed:

- The name of the owner (as listed on the title).
- The location from which the mobile home is being moved.
- The prior or current mailing address.
- The manufacturer and model, year, and **complete** VIN(s) or serial number(s).
- The length and width of the mobile home.
- The personal property account number, if applicable.
- If the mobile home is affixed, the parcel number of the land to which it is affixed.
- The name of the mover.
- The name of county into which the mobile home is being moved.
- The name of the mobile home park, or the location of the real property to which the mobile home is being moved.
- The mailing address of the new location.

Unless the applicant provides all of the required information, the clearance should not be issued. A clearance is required prior to the transportation of a previously affixed mobile home. It is not necessary to wait for issuance of a new title prior to issuing the tax clearance.

A tax clearance is not required when a **new** mobile home is transported from the factory to the dealer's lot or from one dealer to another. In these situations, the mobile home is considered to be inventory and is not titled, so personal property assessment and taxation are not applicable. A mobile home dealer that is moving a home held in inventory from one location to that dealer's inventory in another location is not required to obtain a tax clearance. However, a clearance form is required when transporting a **used** mobile home from one dealer to another.

Sale of Land and Affixed Mobile Home

An owner who sells an affixed mobile home **and** the land on which the mobile home is located is not required to reapply for title on the mobile home. In this instance, the ownership transfer is accomplished by recording a deed in the same manner as a real property sale is transacted.

Sale and Relocation of an Affixed Mobile Home

An owner, who intends to sell an affixed mobile home apart from the land or relocate the mobile home to other property, must reverse the process of affixture and reapply for a Certificate of Title with ADOT. After the owner submits a copy of the title application and other required information, the county assessor will reclassify the mobile home as personal property. Requirements set by the MVD to "unaffix" a mobile home are listed below. To reapply for title on a mobile home, the owner must:

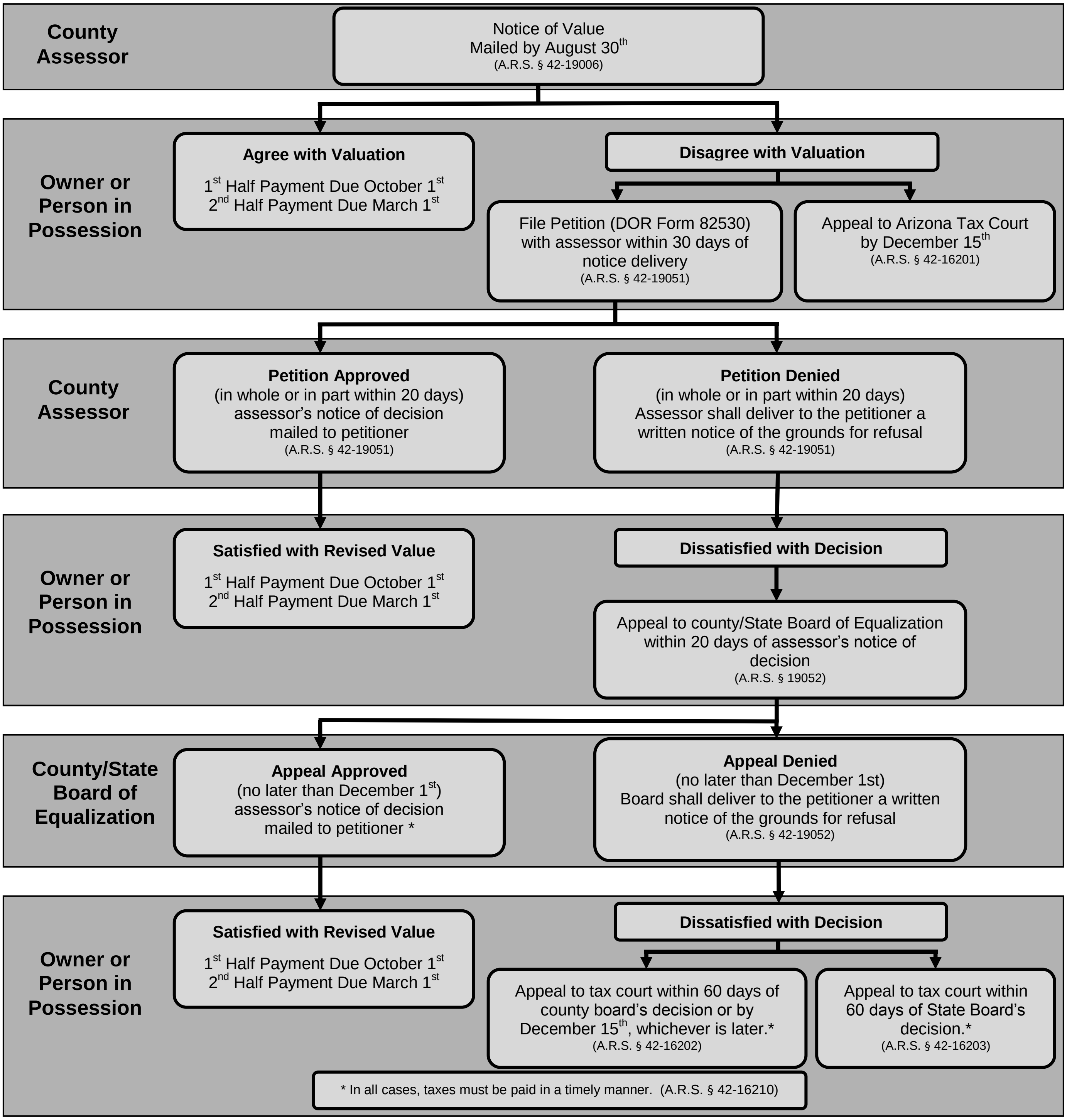
- Provide a completed Application for Arizona Certificate of Title and Registration.
- Provide a copy of the Affidavit of Affixture.
- Provide a lien clearance, if applicable.
- Submit a Mobile Home Property Tax Clearance form for the real property.
- Verify the mobile home Vehicle Identification Number(s) (VIN) or serial number(s).
- Submit a notarized Bill of Sale.
- Provide written verification that the mobile home is no longer affixed to real property owned by the applicant.
- Pay the required fees.

CHAPTER 4

PERSONAL PROPERTY APPEALS PROCESS

APPEALS PROCESS FOR THE PERSONAL PROPERTY TAX ROLL

The assessment and appeals procedure for personal property is outlined below. This table



The personal property owner, or the person who is in control or possession of the personal property, is notified of the value and legal classification of their personal property through a Notice of Valuation that is mailed by the county assessor on or before August 30. A.R.S. § 42-19006. Property owners, or persons in possession, who are dissatisfied with the value or classification of their property as determined by the assessor may petition for either an administrative appeal or tax court proceeding.

ADMINISTRATIVE APPEALS

The administrative appeal process has two levels: Level one is the county assessor and level two is either the county board of equalization or the State Board of Equalization. No appeal may be presented to a county or the State Board of Equalization without first having been filed with the local county assessor.

Property owners, or persons in possession, may represent themselves in the administrative appeals process. Owners may utilize an agent to act on their behalf regarding any matter relating to the review of their property valuation or classification. A designated agent may present appeals on property classification and valuation issues before the county assessor and county or state board of equalization. Property tax agents must be designated annually by filing a completed Agency Authorization Form (DOR Form 82130AA) with the county assessor. These forms are available from each county assessor. This form must accompany all petitions. After the Agency Authorization Form is filed, the county assessor, county board of equalization, or State Board of Equalization shall issue any notice relating to the valuation or classification review of that property to the agent. A.R.S. § 42-16001(C). Requirements for property tax agents are found in A.R.S. §§ 32-3651 through 32-3655.

Appeals to the county assessor

Property owners, or their agents, may appeal their personal property valuation or classification by filing a Petition for Review of Personal Property (DOR Form 82530) with the county assessor within thirty days after the mailing date on the Notice of Value. The petition must provide the owner's opinion of value and substantial information to justify that opinion. A.R.S. § 42-19051.

The county assessor must rule on all petitions within twenty days of the filing date. If an appeal is denied in whole or in part, the assessor must deliver to the petitioner a written notice of the grounds for refusal. Any petitioner whose request is denied may appeal to the county or State Board of Equalization; whichever is applicable for that county. Pursuant to A.R.S. § 42-19052(A), such an appeal must be filed within twenty days after the date of the county assessor's notice of decision. Which board of equalization to utilize for appeal of the county assessor's decision depends on the population of the county in which the property is located.

Appeals to the County Board of Equalization

Currently, personal property appeals to the county board of equalization pertain only to property that is located in counties other than Maricopa and Pima Counties. This board consists of the county board of supervisors sitting as a county board of equalization to consider appeals. A county board of equalization may appoint hearing officers to hear the appeals.

These hearing officers must meet the qualifications for appointment prescribed in A.R.S. § 42-16103. Hearings are held by one or more members of the Board or a hearing officer. The Board of Equalization then considers their recommendation when deciding the appeal. This Board must complete the hearing and issue a decision on the petition on or before December 1. A.R.S. § 42-16108(C). The Board of Supervisors may, however, by majority vote, contract with the State Board of Equalization to have them perform the review of administrative appeals. A.R.S. § 42-16102(C).

Any petitioner who is dissatisfied with the decision from the county board of equalization may file an appeal with the Arizona Tax Court within sixty days of that decision. The county assessor or the department may appeal any reduction in valuation by the county board of equalization to the tax court on or before December 15. A.R.S. § 42-16202.

Appeals to the State Board of Equalization

Currently, appeals to the State Board of Equalization pertain only to property located in Maricopa County and Pima County.

State Board of Equalization hearings are held in the county in which the property involved is located. Hearings that involve residential (legal class 3) properties valued at $3,000,000 or less are heard by one member of the board, or a hearing officer who must be from the county in which the property is located. A.R.S. § 42-16156(B)(2). For all other property, State Board hearings are heard by a panel of either three or five members of the board, of which at least two must be from the county in which the property is located, unless the chairman is sitting as a representative of the county.

Pursuant to A.R.S. § 42-16165(3), the state board of equalization must complete the hearing and issue the decision on or before December 1. The property owner, person in possession, county assessor, or the DOR may appeal the final decision of the State Board of Equalization to the tax court by filing within sixty days of the State Board's written decision. A.R.S. § 42-16203.

JUDICIAL APPEALS FOR PERSONAL PROPERTY TAX ROLL

Notice of Appeal to the Tax Court

Personal property owners, or persons in possession, who are dissatisfied with the valuation or classification decision of the county board of equalization or the State Board of Equalization may file an appeal to the tax court. However, these appeals to the tax court must be filed within sixty days of the date of the most recent administrative decision relating to the petition or subsequent administrative appeal. A.R.S. § 42-16201(B).

All taxes levied and assessed against property on which an appeal has been filed with the tax court must be paid prior to the date the taxes become delinquent. If such taxes are not paid prior to becoming delinquent, the tax court will dismiss the appeal. A.R.S. § 42-16210.

The Director of the Department of Revenue may appeal any decision of any county or the State Board of Equalization which, in the director's opinion, is considered erroneous. Appeals initiated by the department are required to be filed in tax court on or before the taxpayer's deadline to file an appeal of any county or the State Board of Equalization's decision. A.R.S. § 42-16206.

Small Claims Procedures in Tax Court

Taxpayers may elect to use simplified, small claims procedures in tax court in certain cases in which the full cash value of all real and personal property does not exceed $1,000,000. A small claims procedure may be reclassified as a regular tax court case if that requirement is not met. A taxpayer elects to use small claims procedures by indicating in the caption of the complaint that the matter is a small claims procedure. Taxpayers may appear on their own behalf, or be represented by an attorney licensed to practice in this state, or by any other person the tax court allows to participate in the hearing. A.R.S. §§ 12-172 through 12-174.

CHAPTER 5

CORRECTION OF ERRORS

CORRECTING PROPERTY TAX ERRORS

Arizona law provides procedures through which certain defined errors in the collection or assessment of property may be corrected. A.R.S. §§ 42-16251 through 42-16258. Such corrections may be initiated by either the taxpayer or the assessor. Errors may be corrected for the current tax year and up to the previous three preceding tax years.

The error correction procedure is **not**, however, a substitute for the administrative appeals process (see Chapter 4). The administrative appeals process is used when the owner disagrees with the assessor's opinion of property value or its legal classification. These items require discretion and judgment, and are matters of opinion on the part of the assessor. An error must be exclusively factual in nature and be objectively verifiable without the exercise of discretion, opinion or judgment, and must be demonstrated by clear and convincing evidence. If an administrative or judicial appeal is pending regarding a property, an alleged error must also be adjudicated as part of the administrative or judicial appeal A.R.S. § 42-16255

The reviewing body must use the valuation and classification criteria that were in effect on the valuation date, when evaluating and correcting property tax errors. A.R.S. § 42-16257.

DEFINITION OF ERROR

A.R.S. § 42-16251(3) defines property tax assessment or collection errors as follows:

> "Error" means any mistake in assessing or collecting property taxes resulting from:
>
> (a) An imposition of an incorrect, erroneous or illegal tax rate that resulted in assessing or collecting excessive taxes.
>
> (b) An incorrect designation or description of the use of property or its classification pursuant to chapter 12, article 1 of this title.
>
> (c) Applying the incorrect assessment ratio percentages prescribed by chapter 15, article 1 of this title.

(d) Misreporting or failing to report property if a statutory duty exists to report the property.

(e) Subject to the requirements of section 42-16255, subsection B, a valuation that is based on an error that is exclusively factual in nature or due to a specific legal restriction that affects the subject property and that is objectively verifiable without the exercise of discretion, opinion or judgment and that is demonstrated by clear and convincing evidence, such as:

(i) A mistake in the description of the size, use or ownership of land, improvements or personal property.

(ii) Clerical or typographical errors in reporting or entering data that was used directly to establish valuation.

(iii) A failure to timely capture on the tax roll a change in value or legal classification caused by new construction, the destruction or demolition of improvements, the splitting or consolidating of two or more parcels of real property into one new parcel existing on the valuation date.

(iv) The existence or nonexistence of the property on the valuation date.

(v) Any other objectively verifiable error that does not require the exercise of discretion, opinion or judgment. Error does not include a correction that results from a change in the law as a result of a final nonappealable ruling by a court of competent jurisdiction in a case that does not involve the property for which a correction is claimed.

The following examples are **not** included in the meaning of the term "Error":

a. Typical valuation and classification issues which involve the application of discretion, opinion or judgment. These require an independent review of the overall valuation of the property and are handled by the appeals process.

b. Corrections that result from a change in the law as a result of a final nonappealable ruling by a court of competent jurisdiction in a case that does not involve the property for which a correction is claimed.

c. A failure to file the forms in a timely manner as required by statute which provide the owner with a more favorable tax status, such as agricultural status, or to achieve a tax exempt status.

TIME LIMITATIONS

There are limitations on the time period for which corrections of property tax assessment or collection errors can be made. These limitations are specified in A.R.S. § 42-16256, and are as follows:

(a) In the case of real or personal property, corrections of errors are limited to the period during which the current owner of record held title, so long as the owner is a good faith purchaser and is without notice of any assessment or collection error when purchasing the property that would have enabled correction proceedings to have been initiated when the owner purchased the property.

(b) Except as provided for in subsection (c), a notice of error or a notice of claim is limited to the current tax year in which the notice of error or notice of claim is filed and the three immediately preceding tax years.

(c) If a specific assessment or collection error involving a particular property is established by a final nonappealable ruling by a court of competent jurisdiction in favor of the party bringing the action, the error may be corrected as of the date the action was filed or as of the date that a notice of error or claim was filed, whichever is earlier. No additional assessment or refund for any time period before that date is permitted.

NOTICE OF PROPOSED CORRECTION / NOTICE OF ERROR

The Notice of Proposed Correction - Personal Property is a notification provided by the county assessor to a property owner in cases where any personal property has been improperly assessed because of a property tax error. It must be on the form prescribed by the department (DOR Form 82179P) and sent to the owner's last known mailing address. If the correction of the error results in an increase in the valuation of the property, the notice is to be sent by certified mail, return receipt requested. The notice may be sent by regular mail if the correction of the error does not result in an increase in the valuation. This procedure is specified in A.R.S. § 42-16252.

This Notice of Proposed Correction – Personal Property must:

1. Clearly identify the subject property by taxpayer/ account number or tax parcel number or tax roll number and the year or years for which the error correction is proposed.
2. Explain the error, the reasons for the error and the proposed correction of the error.
3. Inform the owner of the procedure and deadlines for appealing all or part of the proposed determination before the tax roll is corrected.

The owner may file a written response to the assessor within thirty days to either consent to, or dispute the proposed correction and state the grounds for disputing the correction. Failure to file a written response within thirty days of receipt of the notice constitutes consent to the proposed correction, unless the owner requests an extension of time within the same thirty days after receipt of the notice.

If the extension is granted by the assessor, any owner response not filed within the extended due date constitutes the owner's consent to the proposed correction. If requested by the owner, the county assessor must meet with the owner or owner's representative if the owner has timely filed a written response disputing the proposed correction.

If the parties fail to agree to all or part of the proposed correction, the county assessor must serve a notice on the owner by certified mail advising the owner that the error will be corrected within forty-five days unless the owner files an appeal with (a) the county board of equalization, if one is established in the county, or, (b) the State Board of Equalization if applicable. If the owner fails to file the petition with the appropriate board of equalization within thirty days after the notice is mailed, the appeal is barred.

Pursuant to A.R.S. § 42-16252, the owner may appeal valuation issues that arise from the proposed correction. The county assessor must include a Petition for Review of Proposed Correction (DOR Form 82179C) form with any such notice and an explanation of the appeal process.

Any taxes assessed are delinquent if not paid within sixty days after the date the supplemental billing is mailed to the owner. If taxes were overpaid, these taxes must be refunded with interest as provided by law, within ninety days after correction of the tax roll.

The county or State Board of Equalization must hold a hearing on the proposed correction within thirty days and issue a written decision pursuant to the board's rules. Any party dissatisfied with the decision of the county or State Board of Equalization may appeal that decision to the tax court within sixty days after the date the Board of Equalization mails its decision. Any additional taxes that were determined to be due must be paid before they become delinquent in order for the tax court to have jurisdiction over the matter.

SELF-REPORTING OF PERSONAL PROPERTY TAX ERROR

If an owner whose personal property taxes have been assessed in error reports the error to the taxing authority prior to receipt of a Notice of Proposed Correction – Personal Property, no penalty may be applied. The tax roll must be corrected in order to levy and collect the property taxes due for the period affected by the error. A.R.S. § 42-16253.

TAXPAYER NOTICE OF CLAIM

The Taxpayer Notice of Claim – Personal Property is a notification supplied by the owner to the county assessor in cases where the owner believes the property has been assessed improperly due to a property tax error. This notice of claim shall be filed as follows:

1. If the alleged error concerns the valuation or classification of the property, the notice shall be filed with the county assessor.
2. If the alleged error concerns the imposition of any tax rate, the notice shall be filed with the County Board of Supervisors.

This notice must be on a form prescribed by the department (DOR Form 82179PT) and must be filed in person or by certified mail.

The notice of claim must:

1. Clearly identify the subject property's parcel number, account number or tax ID number and the year or years for which the correction is proposed.
2. State the claim and the evidence to support the claim for error correction.

This procedure is specified in A.R.S. § 42-16254.

The tax officer may file a written response to the owner within sixty days of receipt of the Taxpayer Notice of Claim – Personal Property, either consenting to or disputing the error. The grounds for disputing the error must be stated.

Failure to file a written response to the owner within sixty days constitutes consent to the claim, and the county board of supervisors shall direct the county treasurer to correct the tax roll on the owner's written demand. This written demand must be accompanied by proof of the date of the notice of claim and show that the county assessor failed to dispute the claim of error within the specified time period.

If the county assessor disputes the error, the assessor must notify the owner of the time and date for a meeting between an assessor representative and either the owner or their representative. If, after the meeting, the parties agree on all or part of the proposed correction, the board of supervisors shall direct the county treasurer to correct the tax roll to the extent agreed, and any taxes that have been overpaid must be refunded with interest as provided by law within ninety days after the tax roll is corrected, pursuant to A.R.S. § 42-16254. Any additional taxes owed by the owner shall be assessed plus interest by supplemental billing as provided by law. Such taxes are delinquent if not paid with sixty days after the date the supplemental billing is mailed to the owner.

If the parties fail to agree to all or part of the proposed correction, the owner may file a Petition for Review of Taxpayer Notice of Claim (DOR Form 82179B) with the county or State Board of Equalization, whichever is appropriate, and must send a copy to the county assessor by certified mail. This petition must be filed within one-hundred-fifty days after the notice of claim was filed or it is barred. On receiving the petition, board of equalization must hold a hearing on the proposed correction within thirty days of receipt and issue a written decision pursuant to the county or State Board's rules.

Any party that is dissatisfied with the board of equalization's decision may appeal to the tax court within sixty days after the board's decision is mailed. Any additional taxes that are determined by the board to be due must be paid before becoming delinquent. In addition, in order for an owner to recover a refund for taxes paid in a preceding tax year as a result of the error, all taxes levied and assessed against the property for the tax year must be paid before delinquency in order for the tax court to retain jurisdiction over the matter.

EVIDENCE THAT MAY BE CONSIDERED AT HEARINGS

At any hearing before a board of equalization, or the tax court, any of the parties may present evidence regarding property tax assessment or collection errors regardless of whether a notice of proposed correction or taxpayer notice of claim was filed. The county and State Boards of Equalization and the tax court have jurisdiction to make any such correction. The Arizona Revised Statutes relating to correction of property tax errors do not authorize an independent review of the overall valuation or classification of property that could have been appealed pursuant to applicable Title 42 Arizona Revised Statutes or Session Law. However, if an administrative or judicial appeal is pending regarding the subject property, the alleged error in assessment or collection shall be adjudicated as part of the administrative or judicial appeal for the affected tax year.

CHAPTER 6

PERSONAL PROPERTY CALENDAR, VALUATION TABLE INDEX, AND VALUATION TABLES

2014 ASSESSMENT CALENDAR

2014 Calendar Date	*Arizona Revised Statute Legal Date*
January 1	The property tax lien attaches on the first day of January of the current tax year **(2014)**. A.R.S. § 42-17153(C)(1).
January 1	The valuation date for the current valuation year **(2014)** A.R.S. § 42-11001(19)(b). **Note**: For Locally Assessed items of personal property, the “valuation year” and the “tax year” are the same calendar year
February 1	On or before February 1 of each year, the county assessor shall mail a form, notice or demand to each person who owns or has charge or control of taxable personal property in the state. A.R.S. § 42-15053(A).
March 3	The second one-half of taxes on all personal property for the prior valuation year / tax year **(2013)** is due and payable on the first day of March. A.R.S. § 42-18052(A).
April 1	Each person who owns or has charge or control of taxable personal property in the state shall prepare and deliver to the county assessor a correct report of that property on or before April 1 of each year. A.R.S. § 42-15053(A).
May 1	The second one-half of taxes on all personal property for the prior valuation year / tax year **(2013)** is delinquent after 5:00 p.m. on the first day of May. If May 1 is a Saturday, Sunday or other legal holiday, the time of delinquency is 5:00 p.m. the next business day. A.R.S. § 42-18052(B) and (D)
May 1	On written request and for good cause shown, the county assessor may extend for up to thirty days the time for filing the required report of taxable personal property. A.R.S. § 42-15053(A).
August 25	On or before August 25 of each year, the county assessor shall transmit all personal property valuations to the county treasurer. A.R.S. § 42-19007(A).
August 29	On or before August 30 of each year, the county assessor shall mail a Notice of Valuation to the owner or the person in possession of personal property. A.R.S. § 42-19006(A)(1) or (2)

2014 Calendar Date	***Arizona Revised Statute Legal Date***
September 29	An owner or the person in whose possession the property is found may file an appeal of the value of their personal property within thirty days after the date the Notice of Value is delivered [i.e., the postmark date] by the county assessor. A.R.S. § 42-19051(A).
October 1	The first one-half of taxes on all personal property for the current valuation year / tax year **(2014)** is due and payable on October 1. If the total amount of taxes is $100 or less, the entire amount is due. A.R.S. § 42-18052(A)
October 20	The county assessor shall rule on each administrative appeal petition filed within twenty days after the date it was filed. A.R.S. § 42-19051(B)
November 1	The first one-half of taxes on all personal property for the current valuation year / tax year **(2014)** is delinquent at 5:00 p.m. on November 1. If November 1 is a Saturday, Sunday or other legal holiday, the time of delinquency is 5:00 P.M. the next business day. A.R.S. § 42-18052(B).
November 1 **through** **December 1**	After personal property taxes that are due become delinquent, the county treasurer shall make and deliver to the sheriff a tax bill directing the sheriff to seize and sell as much of the personal property as is necessary to pay the taxes, interest, and costs of seizure and sale. The county treasurer may issue the tax bill within thirty days after the first installment authorized by A.R.S. § 42-18052(B) becomes delinquent. The county treasurer shall issue the tax bill within thirty days after the second installment becomes delinquent, or after the entire amount is delinquent if the entire amount is under $100. A.R.S. § 42-19108(A).
November 10	A person who appeals a county assessor's decision must file their appeal with either the county board of equalization or the State Board of Equalization, as appropriate, within twenty days after the postmark date of the county assessor's Notice of Decision. A.R.S. § 42-19052(A)(1) or (2)
November 15	The Department is to prescribe depreciation tables for locally assessed Legal Class One and Two personal property. A.R.S. § 42-13054
	The Department shall adjust depreciation schedules used to value personal property. A.R.S. § 42-13353 **Note:** November 15 is an internal PTD 'target' date. These actions are related to publishing the Personal Property Manual

2014 Calendar Date	*Arizona Revised Statute Legal Date*
December 1	All county boards and the State Board of Equalization must hold hearings relating to the personal property Notice of Value and issue all appeal decisions on or before December 1 of each year. A.R.S. §§ 42-16108(C) and 42-16165(3).
December 15	A property owner who is dissatisfied with the valuation or legal classification of their personal property by the county assessor may appeal directly to the tax court on or before December 15. A.R.S. § 42-16201.
December 15	A property owner who is dissatisfied with the valuation or legal classification of their personal property by a county board of equalization may appeal to the tax court on or before December 15. The appeal must be filed with the Court within sixty days of the date of mailing of the county board of equalization's decision, but in any case no later than December 15. A.R.S. § 42-16202(A)
	A property owner who is dissatisfied with the valuation or legal classification of their personal property by the State Board of Equalization may appeal to the tax court within sixty days of the date of mailing of the State Board of Equalization's decision. A.R.S. § 42-16203(C)... **Note**: This statute does not contain a December 15 deadline for decisions.
December 31	On or before December 31 of each year, the Department shall increase the maximum amount of the property tax exemption for use in the subsequent year **(2015)** for commercial and agricultural use personal property which is based on the average annual percentage increase, if any, in the Employment Cost Index in the two most recent complete state fiscal years. A.R.S. § 42-11127(C)

VALUATION TABLE INDEX

Category	Valuation Table	Life in Years
AGRICULTURAL		
Farm and Ranch (Machinery and Equipment)		
Dairy - milking and holding facility.	1	10
Drip irrigation system.	1	6
Laser sending and receiving equipment.	1	10
Machinery and equipment used in the production of crops and livestock and on-the-farm processing of feeds.	1	10
Sprinklers - walking and pivot.	1	6
Tractors, combines, cotton harvesters, hay balers, forage harvesters, etc.	1	6
AIR CONDITIONING EQUIPMENT		
Heat pumps - all sizes.	1	7
Large - twenty tons and over.	1	20
Medium and small - under twenty tons.	1	10
AIRCRAFT (See Chapter 2, "Business Personal Property.")	---	---
AIRCRAFT FLIGHT SIMULATOR	1	10
AIRPORT GROUND EQUIPMENT (Includes unlicensed vehicles)	1	10
AMUSEMENT and RECREATION EQUIPMENT		
Amusement rides.	1	5
Billiards and pool.	1	10
Boats. (See Chapter 2, "Business Personal Property – Watercraft.")	1	5
Boats, tour boats, excursion boats (over thirty feet in length).	1	20
Bowling alleys.	1	8
Coin operated electronic games (video games).	5	2
Dance studio.	1	10

AMUSEMENT and RECREATION EQUIPMENT, cont.

Category	Valuation Table	Life in Years
Golf carts.	1	5
Gymnasium (fitness facilities).	1	10
Miniature golf courses.	1	10
Museum.	1	10
Personal watercraft.	1	5
Race track (equipment).	1	10
Race track tote equipment.	5	4
Slot machines.	1	5
Video tape rentals. (See Chapter 2, "Business Personal Property.")	5	2
Video rental tape player.	1	3
ANIMALS (Taxable) (See Chapter 2, "Business Personal Property, Animals - Taxable.")	---	---
APARTMENTS (Furnishings and Equipment)	1	8
ARTWORK and DECORATIVE ACCESSORIES (See Chapter 2, "Business Personal Property.")	1	10
AUDIO EQUIPMENT (Office - Nonmanufacturing)		
VCRs, TVs, video cameras, digital cameras and related test equipment.	1	5
AUTOMOTIVE EMISSION and TESTING	1	5
AUTOMOBILE REPAIR and SERVICE STATION EQUIPMENT		
Body shops.	1	10
Car wash - automatic.	1	5
Car wash - automatic (coin operated).	1	5
Diagnostic equipment - computerized.	1	5
Diagnostic equipment - mechanical.	1	7
Garages.	1	10
Portable service station equipment.	1	8
AUTOMOBILE REPAIR and SERVICE STATION EQUIPMENT (continued)		
Recapping, retreading and rebuilding tires	1	8

Category	Valuation Table	Life in Years
Service station equipment.	1	8
Service station tanks and leak detection equipment.	1	8
BANKS, SAVINGS AND LOAN EQUIPMENT		
Automatic teller machines	1	5
Closed-circuit TV with pneumatic system.	1	8
Currency lockers.	1	20
Drive-through windows.	1	10
Night depository.	1	10
Safe deposit boxes.	1	20
Teller lockers.	1	20
Teller service area.	1	10
Teller service system.	1	10
Vaults, vault doors, inner gates, vent fans and additions. (See Chapter 2, "Business Personal Property.")	6	50
Visual pneumatic system.	1	8
BARBER SHOP EQUIPMENT	1	10
BEAUTY SHOP EQUIPMENT	1	8
BILLBOARDS (See Chapter 2, "Business Personal Property.")	8	---
BOAT FABRICATION (Includes construction, repair and conversion)	1	12
Molds for fiberglass boats.	1	3
BOAT DOCKS		
Metal.	1	20
Wood and foam.	1	5

BOTTLING (Plant Equipment)		
Manufacturing, bottling / canning soft drinks, fresh fruit drinks, mineral and distilled waters, carbonated beverages, etc.	1	12
BROADCASTING (Radio and TV Equipment)		
Studio broadcasting equipment.	1	6
Transmitting towers.	1	20
CABLE TELEVISION (See Chapter 2, “Business Personal Property.”)	---	---
CABLE TELEVISION EQUIPMENT		
Cable / Satellite Receiver Boxes, includes DVR.	1	5
Distribution systems.	1	10
Head-end equipment.	1	8
Receiving antennas.	1	12
COMPUTERS and COMPUTER EQUIPMENT		
Computer Numeric Controlled (CNC) (See Chapter 2, "Business Personal Property.”)	---	---
Computers Operating Software and Related Peripheral Equipment		
For manufacturer / lessor, the current retail selling price will be reported.	5	4
For non-manufacturer / lessor and / or private owner, the historical cost will be reported.	5	4
Test Computer		
Within computer manufacturing plants, there may be a number of computers used to test new, assembled computers.	5	4
CONSTRUCTION WORK IN PROGRESS (CWIP) (See Chapter 2, "Business Personal Property.")	---	---

CONTRACTOR'S EQUIPMENT		
Barricades and warning devices.	1	3
Cranes to fifty tons, shovels to eight cubic yards.	1	10
Electronic controlled infrared / laser instruments.	1	5
General construction (highways, dams, etc.).	1	7
Portable asphalt batch plants.	1	7
CONTRACTOR'S EQUIPMENT (continued)		
Power sweepers.	1	7
Special trade contractors (electrical, heating, painting, plumbing, etc.).	1	10
CONVENIENCE STORES		
Equipment and fixtures.	1	8
Walk-in coolers and freezers. (See Chapter 2, "Business Personal Property.")	1	10
COTTON GINS and COTTON COMPRESSES		
Machinery for removing seeds from raw cotton and machinery for baling cotton after ginning.	1	12
DAY / CHILD CARE	1	8
DENTAL and DENTAL LABORATORY EQUIPMENT (See Chapter 2, "Business Personal Property.")	1	10
DRILLING EQUIPMENT (Gas, Petroleum and Water)		
Exploration and drilling equipment.	1	6
DRY CLEANING and LAUNDRY EQUIPMENT		
Coin-operated.	1	6
Commercial.	1	10
ENVIRONMENTAL EQUIPMENT (See Chapter 2, "Business Personal Property.")	---	---
HOTEL, MOTEL, and RESORT EQUIPMENT	1	10
Computerized equipment.	1	5
Linens, glassware, silverware, and uniforms (not rented).	1	3
Televisions.	1	5

IMPROVEMENTS ON LEASED LAND (See Chapter 2, "Business Personal Property.")	---	---
IMPROVEMENTS ON POSSESSORY RIGHTS (IPRs)		
Buildings and other improvements. (See Chapter 2, "Business Personal Property.")	6	---
LEASED OFFICE BUSINESS MACHINES		
Excludes computer equipment and portable commercial equipment.	1	5
LIBRARIES – COMMERCIAL		
Includes accounting, architectural, engineering, law and medical libraries. (See Chapter 2, "Business Personal Property.")	1	10
LINENS and UNIFORMS (Rental)		
For leased and rented linens and uniforms, use one-quarter of total purchases for the year as value.	1	3
LUMBERING		
Logging equipment.	1	8
Sawmill (portable).	1	6
Sawmill machinery and equipment (permanent mills).	1	10
MANUFACTURING (**See pages 6.15 through 6.20 for all manufacturing categories.)**	---	---
MEDICAL		
High-tech medical imaging equipment (includes CT, MRI, and PET).	1	6
Hi-tech medical / hospital equipment.	1	8
All other medical (hospital, clinic, lab, nursing home, etc.) equipment.	1	10
MINING, QUARRYING and PROCESSING (Metal and nonmetal)		
Cranes over fifty tons.	1	15
Cranes up to fifty tons.	1	10
Minerals such as sand and gravel, ceramic clay, cinder, limestone and stone.	1	10
Portable sand and gravel units.	1	8

MODEL HOME FURNISHINGS	1	3
MORTUARY and CEMETERY EQUIPMENT	1	10
MOTION PICTURE PRODUCTION	1	10
OFFICE FURNITURE, FIXTURES, MACHINES and EQUIPMENT	1	10
Duplicating and copying equipment.	1	5
PAPER and RELATED PRODUCTS		
Paper finishing and covering Includes paper finishing and conversion into cartons, bags, envelopes and similar products.	1	12
Pulp and paper Includes the manufacturing of pulp from wood, rags, and other fibers, and the manufacturing of paper and paperboard from pulp.	1	15
PETROLEUM and GAS		
Gasoline / diesel terminal facilities.	1	15
Natural gas and helium production plants.	1	15
Oil and gas well production equipment (includes well head equipment, gathering pipelines and related storage facilities).	1	15
Petroleum refining plants.	1	15
Petroleum storage facilities.	1	15
Propane gas tanks and distribution equipment.	1	15
PHOTOGRAPHIC		
Automatic film processing equipment as used in fast, one-hour photo process.	1	5
PRINTING and PUBLISHING EQUIPMENT (Includes newspaper printing)		
Composing room.	1	10
Mail room delivery (stackers, strappers, conveyors).	1	5
Paper handling equipment (warehouse).	1	10
Plate making press.	1	5
Print press.	1	12

PROFESSIONAL EQUIPMENT (Miscellaneous)		
Includes architectural, engineering, photographic studio, and laboratory equipment.	1	10
Electronic controlled infrared / laser instruments.	1	5
REFRIGERATION EQUIPMENT		
Vacuum cooling, portable (field-cooled vegetables).	1	8
Vacuum cooling, stationary (warehouse-cooled vegetables).	1	10
Walk-in coolers and freezers - convenience store. (See Chapter 2, "Business Personal Property.")	1	10
RENTAL EQUIPMENT		
Outlets renting light equipment, such as hand tools, light portable gasoline equipment, mixers, and lawn mowers.	1	5
Rental fence.	5	2
Leased or rented heavy equipment. (See the Index reference “Contractor's Equipment” above.)	---	---
Other rental equipment. (See the Index for appropriate equipment category.)	---	---
REPAIR SHOP EQUIPMENT (Miscellaneous)		
Electrical, watch, clock, jewelry, radio and TV, furniture and upholstery, household appliances, welding, locksmith, shoe, etc.	1	10
RESTAURANT, BAR and SODA FOUNTAIN EQUIPMENT		
Includes all eating and drinking establishments selling prepared food and drinks.	1	10
Linens, glassware, silverware, and uniforms (not rented).	1	3
SCALES		
Less than twenty-five tons.	1	10
Portable.	1	10
Twenty-five to one hundred tons.	1	20
SCHOOL EQUIPMENT	1	10
SCRAP METAL		
Equipment used in cutting, dismantling or wrecking processes, and storing of scrap metals.	1	10
SECURITY SYSTEMS	1	5

SEMICONDUCTOR EQUIPMENT (See Chapter 2, "Business Personal Property." See also the Index reference "Manufacturing / Electronic Equipment," above.)	---	---
SIGNS (all types) (See Chapter 2, "Business Personal Property.")	1	10
STORE EQUIPMENT - Retail and Wholesale		
Carts.	1	3
Computer-controlled electronic cash registers.	5	4
Food, grocery, meat and fish, fruit and vegetable, candy, nuts, confectionery, dairy products, and miscellaneous food stores.	1	10
General merchandise stores, building materials, hardware, apparel and accessory stores, furniture, home furnishings, equipment and supply stores, drug, book, office supply, jewelry, miscellaneous retail, wholesale, and supply store equipment.	1	10
Safes	1	20
SUPPLIES (See Chapter 2, "Business Personal Property.)	---	---
SURVEILLANCE SYSTEMS (video camera recorder)	1	3
TELEPHONE and INTERCOM SYSTEMS		
Paging systems.	1	3
Telephone equipment, cellular phones, telex and facsimile.	1	5
THEATER EQUIPMENT	1	10
TOOLS, MOLDS, DIES and JIGS (See Chapter 2, "Business Personal Property.")	---	---
USED EQUIPMENT (See Chapter 2, "Business Personal Property.")		
VEHICLE MOUNTED EQUIPMENT (See Chapter 2, "Business Personal Property.")		

VENDING EQUIPMENT		
Amusement (bowlers, pinball, pool, rides, mechanical horses, etc.).	1	5
Cigarette vendors.	1	6
Food vendors (beverages, candy, hot and cold foods, popcorn, etc.).	1	5
Leased ice machines.	1	6
Miscellaneous (change makers, newspapers, photo, stamps, etc.).	1	6
Music machines.	1	6
VETERINARIAN EQUIPMENT	1	10
VETERINARIAN LABORATORY EQUIPMENT	1	10
VIDEO TAPES, GAMES, DVDs (Rental) Use acquisition cost of $7.00 per item. (See Chapter 2, "Business Personal Property.")	5	2
WAREHOUSE MATERIALS HANDLING EQUIPMENT	1	10
Pallets.	5	2
WASTE CONTAINER - Commercial and Industrial		
Compactors.	1	10
Portable toilets.	1	5
Portable trash container.	1	5
WATERCRAFT (See Chapter 2, "Business Personal Property.")	---	---
WOODWORKING EQUIPMENT	1	10

MANUFACTURING (All manufacturing processes)

Aerospace		
Primarily engaged in the manufacturing of aircraft, spacecraft, rockets and missiles.	1	8
Research and development.	1	8
Air Bag Manufacturing		
Highly computerized production and computer numeric controlled equipment used exclusively in the manufacture of air bags. For non-computerized equipment, use the appropriate valuation table.	2	5
Automotive Manufacturing		
The equipment used primarily in the manufacturing of motor vehicles, parts and accessories. Including custom-built automobiles, campers, motorcycles and special truck bodies for specific uses (i.e., catering, garbage, etc.). Parts and accessories including brake shoes, shock absorbers, trailer hitches, etc.	1	10
Food, Beverage and Similar Products (Manufacturing, packaging and processing)		
Baby food bottling equipment.	1	10
Baby food canning equipment.	1	8
Bakery products – Retail (baking and selling).	1	10
Bakery products – Wholesale.	1	12
Brewery and distillery.	1	12
Canned or preserved fruits and vegetables.	1	12
Confectionery and related products.	1	12
Creamery and dairy products.	1	12
Grain mill products.	1	12
Grain tanks.	1	10
Meat products (processing and packaging).	1	12
Miscellaneous food preparations (honey, potato chips, etc.).	1	10
Sugar and sugar products.	1	20

Food, Beverage and Similar Products (Manufacturing, packaging and processing) (continued)		
Tomato puree.	1	10
Vegetable oil products.	1	12
Cement, Concrete, Stone and Clay		
Cement production – Equipment.	1	20
Cement products – Portable ready mix plants.	1	8
Cement – Quarry equipment.	1	10
Concrete products – Manufacturing (Block, pipe, etc.).	1	12
Concrete products – Portable ready mix plants.	1	15
Stone and Clay products – The equipment used primarily in the manufacturing of structural clay products, such as brick, tile and pipe, pottery, and related products such as vitreous china; plumbing fixtures, earthenware and ceramic insulating materials; concrete and asphalt building materials; gypsum and plaster products; cut and finished stone; and abrasive, asbestos and miscellaneous nonmetallic mineral products.	1	15
Chemical and Allied Products		
Establishments producing basic chemicals and establishments manufacturing products by predominantly chemical processes, such as industrial gases, drugs, pharmaceuticals, detergents, perfumes, cosmetics, cleaning preparations, paints, lacquers, varnishes, enamels, and similar items.	1	10
Compressed Gases - Includes the equipment used primarily in the manufacture of compressed gases. “Compressed gas” means gases derived from petroleum or natural gas which is in the gaseous state at normal atmospheric temperature and pressure, but which may be maintained in the liquid state at normal atmospheric temperature by suitable pressure. As used herein, the term shall be deemed to mean and include methane, ethane, propane, ethylene, propylene, butylenes, butane,	1	8

isobutene, and
any and all liquid flammable materials derived from petroleum or natural gas having a vapor pressure exceeding four pounds per square inch, absolute, at one hundred degrees Fahrenheit.

Computers		
Manufacturers who assemble computers.	1	8
Electric and Electronic Equipment		
The equipment used primarily in the manufacture of electrical household appliances, batteries and machinery used in the generation and utilization of electric energy.	1	12
Circuit Boards.		
The equipment used primary in the manufacturing of computer circuit boards.	1	5
The equipment used primary in the manufacturing of production equipment.	1	5
Electronic Equipment.		
Includes the manufacturing (fifty percent or more) of electronic communication, detection, guidance control, radiation, computation, test and navigation equipment.	1	8
Manufacturers engaged only in the purchase and assembly of electronic components.	1	12
Semiconductor Manufacturing (See Chapter 2, "Business Personal Property.").	2	5
Electronic research and development equipment.	1	8
Semiconductor manufacturing - discrete process.	1	5
Semiconductor research and development.	2	5
Vapor depollution system.	1	5
Fabricated Metal Products		
Includes the manufacturing of fabricated metal products such as cans, tin ware, hardware, metal structural products, architectural and ornamental metal work, nuts, bolts, metal awnings, portable metal structures, etc.	1	10

Glass and Glass Products (Excludes manufacturing of lenses)		
The manufacturing of glassware (pressed or blown) and the manufacturing of products from purchased glass such as quartz and Pyrex laboratory apparatus, art glass, doors or windows made from purchased glass, glass containers, and plate, safety and window glass.	1	15
Contact lenses.	1	8
Instruments (Professional, scientific, controlling, photographic, optical, watches and clocks, etc.)	---	---
Includes establishments which manufacture scientific and research instruments, such as gas or liquid meters, tallying and measuring instruments, optical elements and assemblies, hearing aids, hearing test equipment, wheelchairs, prosthetic devices, photographic accessories, cameras, watches and clocks, etc.	1	12
Insulation Products (Foam and fiber products)	1	12
Leather and Leather Products		
Includes the manufacturing of finished leather products, the tanning, currying and finishing of hides and skins, and the processing of fur pelts. Examples include footwear, handbags, saddles, harnesses, luggage, etc.	1	10
Leather apparel.	1	10
Machinery		
Includes manufacturing of machinery such as engines and turbines, farm machinery, construction and mining machinery, food products machinery, paper industries machinery, compressors, pumps, ball and roller bearings, blowers, industrial patterns, process furnaces and ovens, office machines, and service industry machines and equipment. Excludes manufacturing of electrical machinery.	1	12
Metal Working Machinery – Manufacturing of metal cutting, grinding and forming machines, jigs, dies, fixtures and accessories.	1	12

Miscellaneous		
Industries engaged in manufacturing items such as jewelry, silverware and plated ware, musical instruments, toys, sporting and athletic goods, pens, pencils, artist's materials, costume jewelry, notions, brooms, brushes, etc.	1	12
Mobile Homes	1	10
Plastic Products		
Includes the manufacturing of processed, fabricated and finished plastic products, and the manufacturing of basic plastic materials such as sand buggy bodies, plastic bottles, styrocups, Styrofoam packing materials, plastic pipe, tubing, plastic screen fiberglass, bathroom fixtures, etc.	1	8
Plastic window film manufacturing equipment.	1	6
Prerecorded Video Tape Production Equipment	1	5
Primary Metals		
Includes most hot-metal processes, such as the manufacturing of foundry products, castings, forgings, sheet metal, pipe, tubing, structural shapes and wire, etc.	---	---
Copper foil.	1	5
Ferrous (iron).	1	20
Foil manufacturing.	1	10
Primary Metals (continued)		
Nonferrous (aluminum, copper, etc.).	1	15
Rubber Products		
Includes the manufacturing of finished rubber products.	1	10
Recapping, retreading and rebuilding of tires.	1	8

Rubber apparel.	1	10
Solar Power Generation Equipment		
Solar cells, photovoltaic cells	1	5
All other generation equipment including panels, support structures, components of large scale generation facilities	1	8
Textile Mill Products		
Apparel and other finished products made from fabrics, fabricated textile and similar materials.	1	10
Fabrics (knitwear and fur).	1	10
Manufacturing of spun, woven or processed yarns and fabrics from natural or synthetic fibers.	1	12
Miscellaneous textile products, such as draperies and canvas.	1	10
Textile finishing and dyeing.	1	12
Wire Products		
Establishments primarily engaged in manufacturing nonferrous wire and cable.	1	15

2014 VALUATION TABLES

Application of Additional Depreciation

Personal Property in the following legal classes and subclasses is to receive additional depreciation for 2014. To be eligible for additional depreciation, legal class one personal property must have been initially assessed in Arizona in 1994 or later; legal class two, subclass 2(P) personal property must have been initially assessed in Arizona in 1995 or later. (Refer to Chapter 2, page 2.15 for more information regarding additional depreciation.)

Legal Class One, Subclasses (8), (9), (10), and (13).

Legal Class Two, Subclass 2(P)(a), (b), (c), (d), and (e).

Application of Minimum Value

Personal property qualifying for additional depreciation will receive a reduction in the minimum value of 2.5 percent each year beginning in 2000. The minimum value will not be reduced below 2.5 percent good.

Application of $50,000 Exemption

For 2014, the first $141,385 of full cash value will be exempt. Personal property in the following legal classes and subclasses is eligible for this exemption.

Legal Class One, Subclasses (8), (9), (10), (11) and (13).

Legal Class Two, Subclass 2(P) (a) and (b).

Pursuant to A.R.S. § 42-11127(C) the DOR is required to annually determine the full cash value exemption amount for qualifying personal property in Legal Classes One and Two.

The change in the amount is based on the total biennial change in the employment cost index in the two most recent complete state fiscal years.

Valuation Table 1 is trended for price changes in acquisition cost data, using a comparative cost index published by Marshall & Swift.

The DOR's valuation tables contain valuation factors with both standard and additional depreciation factors. The nonshaded rows represent the standard valuation factors that are used to calculate the full cash value of an asset. If the personal property qualifies for additional depreciation, the valuation factor in the shaded row is applied.

2014 VALUATION TABLE 1

Valuation Factors (Percent Good) for 2014

		LIFE YEARS									
		3		5		6		7		8	
Year Acquired	Age	Class 1 & 2	ALL Other Classes	Class 1 & 2	ALL Other Classes	Class 1 & 2	ALL Other Classes	Class 1 & 2	ALL Other Classes	Class 1 & 2	ALL Other Classes
2013	1	67	67	81	81	84	84	86	86	88	88
***2013**	**1**	**16.8**		**20.3**		**21.0**		**21.5**		**22.0**	
2012	2	35	35	62	62	69	69	74	74	77	77
***2012**	**2**	**14.4**		**25.4**		**28.3**		**30.3**		**31.6**	
2011	3	2.5	20	43	43	53	53	61	61	67	67
***2011**	**3**	**2.5**		**24.5**		**30.2**		**34.8**		**38.2**	
2010	4			21	21	35	35	45	45	53	53
***2010**	**4**			**16.4**		**27.3**		**35.1**		**41.3**	
2009	5			2.5	20	18	20	31	31	41	41
***2009**	**5**					**16.9**		**29.1**		**38.5**	
2008	6					2.5		16	20	28	28
2007	7							2.5		15	20
2006	8									2.5	
2005	9										
2004	10										
2003	11										
2002	12										
2001	13										
2000	14										

Valuation Table 1 is continued on the next page.

2014 VALUATION TABLE 1 (continued)

Valuation Factors (Percent Good) for 2014

		LIFE YEARS							
		10		12		15		20	
Year Acquired	Age	Class 1 & 2	ALL Other Classes	Class 1 & 2	ALL Other Classes	Class 1 & 2	ALL Other Classes	Class 1 & 2	ALL Other Classes
2013	1	91	91	92	92	94	94	96	96
***2013**	**1**	**22.8**		**23.0**		**23.5**		**24.0**	
2012	2	83	83	86	86	90	90	93	93
***2012**	**2**	**34.0**		**35.3**		**36.9**		**38.1**	
2011	3	75	75	80	80	86	86	91	91
***2011**	**3**	**42.8**		**45.6**		**49.0**		**51.9**	
2010	4	64	64	71	71	78	78	85	85
***2010**	**4**	**49.9**		**55.4**		**60.8**		**66.3**	
2009	5	55	55	64	64	73	73	82	82
***2009**	**5**	**51.7**		**60.2**		**68.6**		**77.1**	
2008	6	45	45	57	57	68	68	79	79
2007	7	36	36	50	50	64	64	78	78
2006	8	25	25	42	42	58	58	75	75
2005	9	13	20	34	34	54	54	74	74
2004	10	2.5		23	23	46	46	70	70
2003	11			12	20	38	38	64	64
2002	12			2.5		29	29	57	57
2001	13					19	20	50	50
2000	14					10		44	44
1999	15					2.5		37	37
1998	16							30	30
1997	17							23	23
1996	18							15	20
1995	19							8	
1994	20							2.5	

2014 VALUATION TABLES 2 and 5

Valuation Factors (Percent Good) for 2014

		Table 2		Table 5					
		5 Year Life		2 Year Life		4 Year Life			
Year Acquired	Age	Class 1 & 2	ALL Other Classes	Class 1 & 2	ALL Other Classes	Class 1 & 2	ALL Other Classes	Age	Year Acquired
2013	1	55	55	30	30	50	50	1	2013
***2013**	**1**	**13.8**		**7.5**		**12.5**		**1**	***2013**
2012	2	50	50	2.5	15	30	30	2	2012
***2012**	**2**	**20.5**		**2.5**		**12.3**		**2**	***2012**
2011	3	30	30			20	20	3	2011
***2011**	**3**	**17.1**				**11.4**		**3**	***2011**
2010	4	20	20			2.5	10	4	2010
***2010**	**4**	**15.6**				**2.5**		**4**	***2010**
2009	5	2.5	10					5	2009
***2009**	5							5	***2009**
2008	6							6	2008

2014 VALUATION TABLE 6

Depreciation Tables used with Marshall & Swift Building Cost Systems
Tax Year 2014
Percent Depreciated

	Expected Life in Years											
Age	**15**	**20**	**25**	**30**	**35**	**40**	**45**	**50**	**55**	**60**	**70**	**Age**
1	4	1	1	1	1	1	1	0	0	0	0	**1**
2	8	3	2	1	1	2	1	1	1	1	0	**2**
3	12	5	3	2	2	2	1	1	1	1	0	**3**
4	16	7	4	3	2	3	2	2	1	1	1	**4**
5	20	10	6	3	3	4	2	2	2	1	1	**5**
6	24	14	8	5	4	6	3	3	2	2	1	**6**
7	28	18	11	6	5	7	4	4	3	2	1	**7**
8	32	23	14	7	6	8	5	5	3	2	1	**8**
9	36	28	17	9	8	10	6	5	4	3	2	**9**
10	40	33	20	11	10	12	7	6	4	3	2	**10**
11	44	38	24	13	12	14	8	7	5	4	2	**11**
12	48	43	28	16	14	16	9	8	6	4	2	**12**
13	52	47	32	20	16	18	10	9	6	5	2	**13**
14	56	51	37	24	18	20	11	10	7	5	3	**14**
15	60	54	42	28	21	22	12	11	8	6	3	**15**
16		56	46	31	24	24	13	12	9	7	3	**16**
17		57	49	34	27	26	14	13	10	7	4	**17**
18		58	51	37	30	28	16	14	11	8	4	**18**
19		59	53	40	33	30	18	16	12	9	4	**19**
20		60	55	43	36	33	19	17	13	9	5	**20**
21			56	46	39	35	21	18	14	10	5	**21**
22			57	48	42	38	23	20	15	11	6	**22**
23			58	50	45	40	25	21	16	12	6	**23**
24			59	52	47	42	27	23	17	13	7	**24**
25			60	54	50	44	29	25	19	14	7	**25**
26				56	52	46	31	27	20	15	8	**26**
27				57	53	47	33	28	21	16	9	**27**
28				58	55	49	35	30	23	17	9	**28**
29				59	56	50	37	32	24	18	10	**29**
30				60	57	52	40	34	26	20	11	**30**
31					57	53	42	36	28	21	12	**31**
32					58	54	44	38	30	22	13	**32**
33					58	55	46	41	32	24	14	**33**
34						56	49	44	34	25	15	**34**
35						57	51	46	36	27	16	**35**

Valuation Table 6 is continued on the next page.

2014 VALUATION TABLE 6 (continued)

Depreciation Tables used with Marshall & Swift Building Cost Systems
Tax Year 2014
Percent Depreciated

	Expected Life in Years											
Age	**15**	**20**	**25**	**30**	**35**	**40**	**45**	**50**	**55**	**60**	**70**	**Age**
36						58	52	48	38	28	17	**36**
37						59	54	50	40	30	18	**37**
38						60	55	52	42	32	19	**38**
39							57	53	44	34	20	**39**
40							57	54	45	35	21	**40**
41							58	54	46	37	23	**41**
42							58	55	48	38	25	**42**
43							59	56	49	40	27	**43**
44							59	56	51	41	28	**44**
45							60	57	52	43	30	**45**
46								58	54	44	31	**46**
47								58	55	46	33	**47**
48								59	56	47	34	**48**
49								59	56	49	36	**49**
50								60	57	50	38	**50**
51									58	52	39	**51**
52									58	53	41	**52**
53									59	54	42	**53**
54									59	55	44	**54**
55									60	56	45	**55**
56										57	47	**56**
57										58	48	**57**
58										59	49	**58**
59										59	50	**59**
60										60	52	**60**
61											53	**61**
62											54	**62**
63											55	**63**
64											56	**64**
65											57	**65**
66											58	**66**
67											58	**67**
68											59	**68**
69											59	**69**
70											60	**70**

End of Valuation Table 6

2014 VALUATION TABLE 8

Valuation Factors (Percent Good) for 2014

ITEM	VALUATION FACTORS	
	Class 1 and 2	All Other
Billboards	25 %	50 %
Taxable animals are to be valued at market. If no market value data is available, the following values may be used:		
	Code	Cash Value ($)
Race horses	8307	$6,000
Horses, other	8304	$1,500
Racing greyhounds	7809	$2,500
Guard dogs	7830	$1,500

2014 VALUATION TABLE 14

Table to be used for 2014 Personal Property and 2015 Affixed Mobile Home Valuations

Valuation Factors (Percent Good) For Manufactured Housing and Mobile Homes, Recreational Travel Trailers, Mobile Offices and Park Models.

Definitions for the Codes used in Valuation Table 14:

Code 72 **Manufactured Housing and Mobile Homes**

Code 721 **Recreational Travel Trailers - 8' Wide**

Code 722 **Mobile Office - 8' Wide or Less / 40' Long or Less**

Code 723 **Mobile Office - Greater than 8' Wide / Greater than 40' Long**

Code 724 **Park Model (Not Self-Contained) - 8' Wide**

Code 725 **Park Model (Not Self-Contained) - Greater than 8' Wide**

NOTES:

- Valuation factors for full cash and limited property values are identical.
- If a Code 72, 721, 724, or 725 property is identified as being used for a commercial purpose, A.R.S. §§ 42-13054 and 42-13353 should be consulted to determine whether additional depreciation should be applied.
- You **MUST** refer to page 21 of this chapter to determine which Legal Classes and Subclasses of mobile homes, manufactured housing and mobile offices receive additional depreciation. **Only the shaded rows** reflect composite valuation factors which incorporate additional depreciation.

Valuation Table 14 is located on the next two pages.

2014 VALUATION TABLE 14

		*Code 72	*Code 721	Code 722			
Model Year	Age	ALL	ALL	Class 1 & 2	ALL OTHER	Age	Model Year
2015	0	85	65		99	0	2015
*2015	0			25		0	*2015
2014	0	85	65		99	0	2014
*2014	0			25		0	*2014
2013	1	85	65		99	1	2013
*2013	1			25		1	*2013
2012	2	85	65		99	2	2012
*2012	2			41		2	*2012
2011	3	84	65		95	3	2011
*2011	3			54		3	*2011
2010	4	82	65		93	4	2010
*2010	4			73		4	*2010
2009	5	80	65		90	5	2009
*2009	5			85		5	*2009
2008	6	78	60	89	89	6	2008
2007	7	70	55	87	87	7	2007
2006	8	68	50	85	85	8	2006
2005	9	67	45	83	83	9	2005
2004	10	66	42	81	81	10	2004
2003	11	65	35	77	77	11	2003
2002	12	65	35	73	73	12	2002
2001	13	65	30	70	70	13	2001
2000	14	65		68	68	14	2000
1999	15	65		62	62	15	1999
1998	16	65		57	57	16	1998
1997	17	65		56	56	17	1997
1996	18	65		54	54	18	1996
1995	19	65		51	51	19	1995
1994	20	65		50	50	20	1994
1993	21	65		49	49	21	1993
1992	22	64		48	48	22	1992
1991	23	63		47	47	23	1991
1990	24	62		46	46	24	1990
1989	25	61		44	44	25	1989
1988	26	60		43	43	26	1988
1987	27	59		41	41	27	1987
1986	28	58		39	40	28	1986
1985	29	57		36		29	1985
1984	30	56		33		30	1984
1983	31	55		30		31	1983
1982	32	54		25		32	1982
1981	33	53		20		33	1981
1980	34	52		18		34	1980
1979	35	51		15		35	1979
1978	36	50		10		36	1978
1977 / Prior	37					37	1977 / Prior

2014 VALUATION TABLE 14 (continued)

		*Code 723		*Code 724	Code 725		
Model Year	Age	Class 1 & 2	ALL OTHER	ALL	ALL	Age	Model Year
2015	0		99	65	90	0	2015
*2015	0	25				0	*2015
2014	0		99	65	90	0	2014
*2014	0	25				0	*2014
2013	1		99	65	90	1	2013
*2013	1	25				1	*2013
2012	2		99	65	90	2	2012
*2012	2	41				2	*2012
2011	3		95	65	90	3	2011
*2011	3	54				3	*2011
2010	4		93	65	90	4	2010
*2010	4	73				4	*2010
2009	5		90	65	88	5	2009
*2009	5	85				5	*2009
2008	6	89	89	60	86	6	2008
2007	7	87	87	55	85	7	2007
2006	8	85	85	50	84	8	2006
2005	9	83	83	45	82	9	2005
2004	10	81	81	42	80	10	2004
2003	11	77	77	35	79	11	2003
2002	12	73	73	35	76	12	2002
2001	13	70	70	30	73	13	2001
2000	14	68	68		70	14	2000
1999	15	62	62		66	15	1999
1998	16	57	57		62	16	1998
1997	17	56	56		57	17	1997
1996	18	54	54		54	18	1996
1995	19	51	51		50	19	1995
1994	20	50	50		47	20	1994
1993	21	49	49		44	21	1993
1992	22	48	48		42	22	1992
1991	23	47	47		41	23	1991
1990	24	46	46		40	24	1990
1989	25	44	44			25	1989
1988	26	43	43			26	1988
1987	27	41	41			27	1987
1986	28	39	40			28	1986
1985	29	36				29	1985
1984	30	33				30	1984
1983	31	30				31	1983
1982	32	25				32	1982
1981	33	20				33	1981
1980	34	18				34	1980
1979	35	15				35	1979

2014 VALUATION TABLE 15

The square foot valuation system is based on Marshall and Swift's square foot cost system. The key features of the square foot cost system include:

- The use of replacement cost new less depreciation rather than historic cost less depreciation.
- The quality indicator and grade are based on the original quality of the mobile home.
- There are different depreciation schedules for single- and double-wide mobile homes.

The replacement cost new of the mobile home is calculated based on the size of the mobile home, the number of sections and the construction quality. It is important to understand that the square foot method uses livable square footage. The replacement cost is adjusted annually to reflect changes in the manufacturing costs of new manufactured housing units. Chapter 6 contains valuation factors for the square foot system.

2014/2015 Table 15 Square Foot System

SINGLE WIDE Percent Good			
	Quality	Quality	Quality
	Indicator 2	Indicator 3	Indicator 4
AGE	& Below		& Above
0 & 1	98	98	98
2	96	96	96
3	94	94	94
4	92	92	92
5	90	90	90
6	87	88	88
7	85	86	86
8	82	84	84
9	79	80	82
10	77	78	80
11	74	76	78
12	72	74	76
13	70	72	74
14	68	70	72
15	66	68	70
16	64	66	69
17	62	64	68
18	60	62	66
19	58	60	64
20	56	58	62
21	54	56	60
22	52	54	58
23	50	52	56
24	48	50	54

2014/2015 Table 15 Square Foot System

SINGLE WIDE Percent Good Con't			
	Quality	Quality	Quality
	Indicator 2	Indicator 3	Indicator 4
AGE	& Below		& Above
25	46	48	53
26	44	47	52
27	42	46	51
28	41	44	50
29	40	42	48
30	38	40	46
31	36	38	44
32	34	36	42
33	30	32	40
34	28	30	38
35	26	28	34
36	24	26	32
37	20	24	30
38	18	22	26
39	17	20	22
40	15	18	18
41		16	16
42		15	15
and older			

2014/2015 Table 15 Square Foot System

DOUBLE WIDE Percent Good			
	Quality	Quality	Quality
	Indicator 2	Indicator 3	Indicator 4
AGE	& Below		& Above
0 & 1	98	98	98
2	96	96	96
3	94	94	95
4	92	92	93
5	88	89	91
6	87	88	89
7	86	87	88
8	85	86	87
9	82	83	84
10	81	82	83
11	78	79	80
12	76	77	78
13	74	75	76
14	72	73	74
15	70	71	72
16	66	68	70
17	65	66	69
18	64	65	68
19	62	63	66
20	60	61	64
21	59	60	62
22	58	58	60
23	56	57	58
24	54	55	56

2014/2015 Table 15 Square Foot System

DOUBLE WIDE Percent Good			
	Quality	Quality	Quality
	Indicator 2	Indicator 3	Indicator 4
AGE	& Below		& Above
25	52	53	55
26	50	51	54
27	48	49	53
28	47	48	52
29	44	45	52
30	42	44	51
31	40	43	50
32	38	42	48
33	36	38	44
34	35	36	44
35	33	34	42
36	31	32	40
37	29	31	38
38	28	30	35
39	27	29	32
40	26	28	30
41	20	23	28
42	18	20	25
43	16	16	23
44	15	15	20
and older			

APPENDIX

GLOSSARY

Definitions of selected terms, for the purposes of this manual, have been included to help the reader understand their meanings and the context in which they are used. If there are any differences in the interpretation of any terms described in this manual and those in the Arizona Revised Statutes (A.R.S.), the language of the statutes will prevail.

Acquisition Cost: The cost of acquiring the property, including the actual cost of the item of property, the cost of transporting the property to its present site, the cost of installing the item of personal property, plus any sales or use taxes paid.

Aquatic Animal: A cultured aquatic wildlife propagated or maintained in an aquaculture facility for distribution or sale. A.R.S. § 3-2901(3).

Assessment: The entire process of determining market value, deriving an assessed value, recording that assessed value on the tax roll, and applying the appropriate tax rate to that assessed value to derive the amount of taxes due. "Assessment" also serves the function of official public notification that property has been valued and taxed. By statute, for most property types, an assessment notice is provided to the property owner (or the legal entity responsible for payment of taxes). See A.R.S. § 42-15101. Although the term "assessment" often seems to be used as though it were synonymous with the term "valuation," the two terms refer to distinct and separate concepts.

Asset: Any owned physical object (tangible) or right (intangible) having value; a source of wealth, expressed in terms of its cost, depreciated cost or, less frequently, some other value.

Audit: An examination of books, records, and property to verify the information provided to the county assessor for assessment purposes.

Factory-Built Building: A building which is either wholly or in substantial part manufactured at an off-site location. This definition excludes manufactured housing, mobile homes and recreational travel trailer vehicles. See Chapter 3.

GDP Price Deflator: The comprehensive price level index which is compiled and issued quarterly by the U.S. Department of Commerce, Bureau of Economic Analysis, and that is associated with the items comprising measures of Gross Domestic Product (GDP). The GDP

Price Deflator is a measure of the level of prices of all new, domestically produced, final goods and services in an economy.

High-Tech Medical Equipment: Any electronic, electromechanical, or computer-based equipment used in the screening, monitoring, observation, diagnosis, or treatment of patients in a laboratory, medical, or hospital environment.

Improvements: Anything done to the land to make it more valuable. Improvements include:

1. Improvements **on** the land are items such as buildings, parking surfaces; fences erected on or affixed to the land; row crops and fruit, nut bearing, or ornamental trees and vines (not of natural growth).
2. Improvements **to** the land make land useable, and include items such as berms, swales, leveling, retention walls, backfill and compaction, sewers and drains, etc. and are considered to be a part of the land.

Improvement on Possessory Rights (IPR): An improvement owned by someone other than the owner of the land that the improvement is situated on. An improvement on possessory rights may be situated on land that is owned by either a taxable entity or a nontaxable entity. See Chapter 2.

Inventory: Stocks of raw or unfinished materials, unassembled parts, work in progress, or finished products of a retailer, wholesaler or manufacturer located within this state and that is principally engaged in the resale of such materials, parts or products. Such items are exempt from personal property taxation. A.R.S. § 42-11125.

Leasehold Improvements: Improvements or additions to leased property that have been made by the lessee; also referred to as tenant improvements.

Livestock: Cattle, equines, sheep, goats and swine (except feral pigs). See A.R.S. § 3-1201(5).

Manufactured Housing: A structure built after June 15, 1976, that is eight or more feet wide, and forty or more feet long, has a permanent chassis, is transportable in one or more sections, is equipped with complete plumbing, heating, and electrical systems from the factory, and is designed to be used with or without a permanent foundation as a dwelling when connected to on-site utilities. This definition excludes recreational travel trailers. Manufactured housing is built in accordance with the National Manufactured Home Construction and Safety Standards Act of 1974, and Title VI of the Housing and Community Development Act of 1974. Federal regulations control both the design and construction of all manufactured housing. See Chapter 3.

Mobile Home: A structure transportable in one or more sections including the plumbing, heating, air conditioning and electrical systems contained in such a structure which, when erected on site, is either greater than eight feet in body width, thirty-two feet or more in body length and built on a permanent chassis, or, that is used as a single-family dwelling or for commercial purposes with or without a permanent foundation, regardless of size. A.R.S. § 42-19151. See Chapter 3.

Mobile Office: A structure built on a permanent chassis, capable of being transported in one or more sections, and designed to be used with or without a permanent foundation as an office or commercial space when connected to on-site utilities. See Chapter 3.

Park Model: A structure built on a single permanent chassis, mounted on wheels and designed to be connected to utilities for operation of installed fixtures and appliances. A park model, sometimes called a park trailer, has a gross trailer area of not less than three hundred twenty square feet and not more than four hundred square feet when it is set up. This category does not include fifth-wheel trailers. See Chapter 3.

Personal Property: Property of every kind, both tangible and intangible, not included in the term real estate. A.R.S. § 42-11001(10). Personal property may be used for commercial, industrial, residential or agricultural purposes. It includes Improvements on Possessory Rights (IPRs) and certain leasehold improvements.

Personal Property Tax Roll: The official record of personal property and other types of property taxed as personal property, including but not limited to certain leasehold or tenant improvements, and Improvements on Possessory Rights (IPRs).

Possessory Right: For the purposes of this manual, a "possessory right" is the right to use land, improvements or personal property belonging to another entity.

Poultry: Any domesticated bird, and includes chickens, turkeys, ducks, geese, guineas, ratites and squabs. A.R.S. § 3-1201(7). See also A.R.S. § 42-11126.

Real Estate: The ownership of, claim to, possession of, or right of possession to lands or patented mines.

Real Property: All of the tangible and intangible rights in land and improvements. Real property includes:

1. The ownership, claim to, possession of, or right to possession of land.
2. All mines, minerals, and quarries in the land, all standing timber whether or not belonging to the owner of the land, and all rights and privileges pertaining to them.
3. Improvements.

Supplies: Items utilized in connection with business, industry, manufacturing or processing that are consumed in the normal course of business. See Chapter 2, "Business Personal Property" for a more complete discussion of what constitutes supplies.

Travel Trailer: A structure mounted on wheels, designed to provide temporary living quarters for recreational, camping or travel use, being of a size or weight that may require a special highway movement permit when towed by a motorized vehicle, and having a trailer area of less than three hundred twenty square feet. This category includes fifth-wheel trailers. See Chapter 3.

SAMPLE FORMS

2013 ARIZONA AGRICULTURAL BUSINESS PROPERTY STATEMENT

THIS STATEMENT IS CONFIDENTIAL AND IS SUBJECT TO AUDIT BY THE ASSESSOR. FAILURE TO COMPLETE AND RETURN BY THE REQUIRED DATE WILL RESULT IN A PENALTY OF TEN PERCENT OF THE AMOUNT OF TAXES DUE, PURSUANT TO A.R.S. § 42-15053(F)(2).

COMPLETE IN FULL AND RETURN TO ASSESSOR

BY:

MAILING DATE

ASSESSOR'S USE ONLY

TAXPAYER / ACCOUNT NUMBER | LOC | CK

NEW TAXPAYER

AREA CODE

BOOK | MAP | PARCEL | SPL | CK

PRORATE | 10% PENALTY | YES | AP

DO NOT MAKE CHANGES IN ADDRESS AREA - SEE SECTION 1 BELOW

IMPORTANT - READ FIRST! Before completing this form, please read the instructions for information on reporting requirements and the amount of exemption.

SIGN SECTION 6 TO CLAIM THE EXEMPTION.

TAX YEAR: 2013

SECTION 1: COMPLETE THIS SECTION ONLY IF THIS IS A NEW BUSINESS OR IF THERE IS A CHANGE IN NAME AND / OR ADDRESS.

1. FARM OR RANCH NAME ____________ C / O ____________
2. ADDRESS ____________ CITY ____________ STATE ______ ZIP ______
3. PROPERTY LOCATION ADDRESS ____________ CITY ____________ STATE AZ ZIP ______
4. TYPE OF AGRICULTURAL PRODUCTION ____________
5. DATE STARTED IN THIS COUNTY ______ CONTACT PERSON ____________ PHONE ______

SECTION 2: DO NOT MAKE CORRECTIONS IN THIS SECTION. MAKE ALL CHANGES, ADDITIONS OR DELETIONS TO PROPERTY COST LISTED BELOW IN SECTION 4. THE ACQUISITION COST OF PROPERTY REPORTED LAST YEAR IS LISTED BELOW BY SCHEDULE AND YEAR ACQUIRED.

SCHED.	YEAR	ACQUISITION COST	CLASS	CODE	SCHED.	YEAR	ACQUISITION COST	CLASS	CODE

DOR 82520A (REVISED 11/2012) **TAXPAYER: RETURN ORIGINAL FORM AND COPY BOTH SIDES FOR YOUR FILES**

2013 ARIZONA AGRICULTURAL BUSINESS PROPERTY STATEMENT

SHADED AREAS FOR ASSESSOR'S USE ONLY

FARM OR RANCH NAME ______________________________ TAXPAYER / ACCOUNT NUMBER ______________

SECTION 3:

ASSESSOR'S USE ONLY	A	B	C	D	E	G	J	L	N
CLASS									
TBL #									
LIFE									

SECTION 4: ADDITIONS AND DELETIONS: ENTER YOUR ACQUISITION COST IN THE APPROPRIATE SCHEDULE FOR PROPERTY ACQUIRED DURING THE PRIOR YEAR WHICH YOU OWNED ON 12/31/2012. ENTER YOUR ACQUISITION COST IN THE APPROPRIATE SCHEDULE AND THE YEAR OF ACQUISITION FOR ALL PROPERTY DELETED DURING THE PRIOR YEAR.

SCHEDULE		A	B	C	D	E	G	J	L	N
YEAR OF ADDITIONS OR DELETIONS		OFFICE FURNITURE AND EQUIPMENT	MACHINERY AND EQUIPMENT SELF-PROPELLED	MACHINERY AND EQUIPMENT NOT SELF-PROPELLED	DAIRY EQUIPMENT	COMPUTER EQUIPMENT	SUPPLIES ON HAND DECEMBER 31	COPYING EQUIPMENT	LASER CONTROLS	SADDLES AND HAND TOOLS ON HAND DECEMBER 31
ADDITIONS:	**YEAR**									
Qualified										
Non-Qualified										
Qualified										
Non-Qualified										
DELETIONS:	**YEAR**									
20 ______										
20 ______										
20 ______										
20 ______										
20 ______										

	ACQUISITION	YEAR	DESCRIPTION	ACQUISITION COST	ADDITION OR DELETION	TABLE NO.	LIFE
SCHEDULE F: OTHER PROPERTY	Qualified						
	Non-Qualified						
SCHEDULE H: LEASEHOLD IMPROVEMENT	Qualified						
	Non-Qualified						

SCHEDULE M: TAXABLE ANIMALS AND LIVESTOCK (SEE INSTRUCTIONS BEFORE COMPLETING)

DESCRIPTION	QUANTITY ON 12/31	CODE	DESCRIPTION	QUANTITY ON 12/31	CODE

SECTION 5: ADDITIONAL INFORMATION REQUIRED.

LEASED OR RENTED PROPERTY: Attach a list of all leased or rented property in your possession.

UNOWNED PROPERTY: Attach a list of property located at your place of business which you do not own, lease, or rent.

GOVERNMENT OWNED LAND: If located on government property, attach a list providing the governmental owner's name and address.

SECTION 6: AFFIRMATION OF PROPERTY STATEMENT AND CLAIM OF EXEMPTION

By signing below, I hereby affirm that this is a full, true, and complete statement of property that is claimed by, or that is in the possession or control of the undersigned, and it is verifiable from records and files of the above named business. The person whose signature is affixed below likewise claims an exemption amount not to exceed the first $133,868 of full cash value. Each eligible taxpayer is entitled to one statewide exemption.

______________________________ Print Name of Property Owner or Authorized Agent

______________ Date

______________________________ Name of County in which you are Claiming Exemption

______________________________ Signature of Property Owner or Authorized Agent

______________ Phone

SUPPLEMENTAL INFORMATION ATTACHED: YES ☐ NO ☐

TAXPAYER RETURN ORIGINAL FORM AND COPY BOTH SIDES FOR YOUR FILES

-

2013 ARIZONA BUSINESS PROPERTY STATEMENT

THIS STATEMENT IS CONFIDENTIAL AND IS SUBJECT TO AUDIT BY THE ASSESSOR. FAILURE TO COMPLETE AND RETURN BY THE REQUIRED DATE WILL RESULT IN A PENALTY OF TEN PERCENT OF THE AMOUNT OF TAXES DUE, PURSUANT TO A.R.S. § 42-15053(F)(2).

COMPLETE IN FULL AND RETURN TO ASSESSOR

BY:

MAILING DATE

ASSESSOR'S USE ONLY

TAXPAYER / ACCOUNT NUMBER | LOC | CK

NEW TAXPAYER

AREA CODE

BOOK | MAP | PARCEL | SPL | CK

PRORATE | 10% PENALTY | YES | AP

DO NOT MAKE CHANGES IN ADDRESS AREA - SEE SECTION 1 BELOW

IMPORTANT - READ FIRST! Before completing this form, please read the instructions for information on reporting requirements and the amount of exemption.

SIGN SECTION 6 TO CLAIM THE EXEMPTION.

SECTION 1: COMPLETE THIS SECTION ONLY IF THIS IS A NEW BUSINESS OR IF THERE IS A CHANGE IN NAME AND / OR ADDRESS.

1. BUSINESS NAME ______________________ C / O ______________________
2. ADDRESS ______________________ CITY ____________ STATE _____ ZIP ________
3. PROPERTY LOCATION ADDRESS ______________________ CITY ____________ STATE AZ ZIP ________
4. BUSINESS TYPE (Manufacturing, Office, Restaurant, etc.) ______________________ PRODUCT ______________
5. DATE STARTED IN THIS COUNTY ________ CONTACT PERSON ______________________ PHONE ____________

TAX YEAR: 2013

SECTION 2: DO NOT MAKE CORRECTIONS IN THIS SECTION. MAKE ALL CHANGES, ADDITIONS OR DELETIONS TO PROPERTY COST LISTED BELOW IN SECTION 4. THE ACQUISITION COST OF PROPERTY REPORTED LAST YEAR IS LISTED BELOW BY SCHEDULE AND YEAR ACQUIRED.

SCHED.	YEAR	ACQUISITION COST	CLASS	CODE	SCHED.	YEAR	ACQUISITION COST	CLASS	CODE

DOR 82520 (REVISED 11/2012) **TAXPAYER: RETURN ORIGINAL FORM AND COPY BOTH SIDES FOR YOUR FILES**

2013 ARIZONA BUSINESS PROPERTY STATEMENT

SHADED AREAS FOR ASSESSOR'S USE ONLY

BUSINESS NAME ______________________________ TAXPAYER / ACCOUNT NUMBER __________________

SECTION 3:

ASSESSOR'S USE ONLY	A	B	C	D	E	G	I	J	Q
CLASS									
TBL #									
LIFE									

SECTION 4: ADDITIONS AND DELETIONS: ENTER YOUR ACQUISITION COST IN THE APPROPRIATE SCHEDULE FOR PROPERTY ACQUIRED DURING THE PRIOR YEAR WHICH YOU OWNED ON 12/31/2012. ENTER YOUR ACQUISITION COST IN THE APPROPRIATE SCHEDULE AND THE YEAR OF ACQUISITION FOR ALL PROPERTY DELETED DURING THE PRIOR YEAR.

SCHEDULE	A	B	C	D	E	G	I	J	Q
YEAR OF ADDITIONS OR DELETIONS	OFFICE FURNITURE AND EQUIPMENT	STORE, MOTEL APARTMENT FURNITURE AND FIXTURES	MACHINERY AND EQUIPMENT	SPECIAL TOOLS DIES AND JIGS	COMPUTER EQUIPMENT	SUPPLIES ON HAND DECEMBER 31	CONSTRUCTION EQUIPMENT	COPYING EQUIPMENT	NUMBER OF RENTAL VIDEO TAPES
ADDITIONS: YEAR									
QUALIFIED									
NON-QUALIFIED									
QUALIFIED									
NON-QUALIFIED									
DELETIONS: YEAR									
20 ______									
20 ______									
20 ______									
20 ______									
20 ______									
20 ______									
20 ______									
20 ______									
20 ______									
20 ______									
20 ______									

	ACQUISITION	YEAR	DESCRIPTION	ACQUISITION COST	ADDITION OR DELETION	TABLE NO	LIFE
SCHEDULE F: OTHER PROPERTY	Qualified						
	Qualified						
	Non-Qualified						
	Non- Qualified						
SCHEDULE H: LEASEHOLD IMPROVEMENT	Qualified						
	Qualified						
	Non-Qualified						
	Non-Qualified						

SECTION 5: ADDITIONAL INFORMATION REQUIRED.

LEASED OR RENTED PROPERTY: Attach a list of all leased or rented property in your possession.
UNOWNED PROPERTY: Attach a list of property located at your place of business which you do not own, lease, or rent.
GOVERNMENT OWNED LAND: If located on government property, attach a list providing the government owner's name and address.

SECTION 6: AFFIRMATION OF PROPERTY STATEMENT AND CLAIM OF EXEMPTION

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SUPPLEMENTAL INFORMATION ATTACHED? YES ☐ NO ☐

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