Teleconference: Minimizing Property And Income Taxes By Tightening Fixed-Asset And Real Property Controls And Processes

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Erroneous Property Classifications

Subtitled: Classification Challenges, Catastrophes and Corrections

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I. Classification Challenges

A. Lump sum fixed asset accounting

1. Computer Systems can include non-assessable, intangible items

   a. Software
   b. Licensing fees
   c. Technical installation - testing costs
   d. System integration
   e. Training classes

2. Entire Manufacturing Lines listed as one item. Could include:

   a. CNC Equipment
   b. Software
   c. Pollution Control Equipment

3. Suites of Office Furniture & Equipment, lumped together. Could include:

   a. Scanning
   b. Copying
   c. Faxing

B. Lifing Issues

1. M&E has a 15 year life, but you are running 3 shifts

2. M&E is being assessed using a 15 year life, but it includes items which will only have a five year life. Re-Class to report separately and recommend a shorter life

3. Pallets

4. High-tech test equipment

5. Forklifts

6. Tools & Dies are lumped in with M&E

7. Office Furniture: Account includes fax, copy and scanning equipment

C. Hidden exemptions

1. Pollution control equipment in various states

2. Manufacturing exemptions

3. Freeport exemptions

4. Enterprise Zones – Pilot Programs

II. Classification Catastrophes

A. Duplicate Assessments: Real v. Personal Property. How can this happen?

1. Reporting from a Cost Segregation study. Sight Improvements including lighting and fencing – different treatment federal, state, property tax

2. Reporting items included in the building assessment

3. What about carpeting and drapes?

4. What about "Leasehold Improvements"?

5. What about Landlord reimbursed tenant improvements?

B. Assessable or not assessable, that is the question

1. Intangible?
   a. Arnold's voice
   b. A particular Oscar Award
   c. Operating software

III. Classification Corrections

A. Identify an unused field in the fixed asset software program and utilizing the field for property tax management

B. Set up property tax codes

C. Codes can designate the excluded and shorter-life items so they can easily be sorted out before reporting to the assessor

D. Coding system can also ease your compliance reporting