

# Analysis of Options Regarding Expanding the Personal Property Exemption

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# 2014 Personal Property Taxes Exempt Under Various Exemption Limits

Maximum Amount of Exemption per taxpayer per county	250,000	500,000	1,000,000
Current Exemption	100,000	100,000	100,000
Additional Exemption to Apply	150,000	400,000	900,000
<b>Exempted Taxes - Locally assessed personal property as reported by counties (\$ millions)</b>	<b>8.6</b>	<b>15.8</b>	<b>23.8</b>
Total Taxpayers	5,465	5,465	5,465
Taxpayers fully exempted	2,849	4,053	4,665
Total taxpayers not fully exempted	2,616	1,412	800
Remaining Unexempted Personal Prop Taxes - locally assessed property only (\$ millions)	76.6	69.4	61.4
<b>Estimated Operating Property Exempted Taxes (\$ millions)</b>	<b>1.9</b>	<b>3.9</b>	<b>6.4</b>
<b>Total Locally assessed and Op Prop Estimated Taxes (\$ millions)</b>	<b>10.5</b>	<b>19.7</b>	<b>30.2</b>

Notes: Operating property personal property taxes estimated using percentages assumed to represent, but quite possibly overstating, the personal property component. 2015 data not available until January, 2016. Overall, property taxes are up about 3% from 2014 to 2015 (preliminary).

# Operating Property – Personal Property Component Percentages

Note: The value of personal property attributed to operating property companies has never been fully reported or determined. Many companies failed to report or claim the current exemption. Those that did report in 2014 often reported only enough personal property to obtain the maximum available exemption under the \$100,000 per county cap. The following table shows percentages used in the calculation of the higher exemption options under consideration. The use of these percentages does not constitute endorsement by the tax commission and the percentages should not be considered definitive with respect to what portion of operating property should be considered personal property. Our staff considers these percentages to reflect a very broad view of what constitutes personal property and may not be consistent with the three factor test.

<b>Industry</b>	<b>% Assumed to be Personal Property</b>
<b>Electrics</b>	55%
<b>RegTeleComm</b>	90%
<b>Water Dist</b>	90%
<b>Petroleums</b>	90%
<b>Gas Dist</b>	95%
<b>Railroads</b>	80%
<b>RailcarOver</b>	100%
<b>Non Reg Tele</b>	90%
<b>Water Trans</b>	100%
<b>Gas Trans</b>	90%
<b>NUG's</b>	70%

# Unresolved Personal Property Issues

- Clarification of Personal Property Definitions
  - Particularly an issue with respect to operating property
    - Failure to clarify will result in major ongoing disputes
    - Failure to clarify will compromise reimbursement calculations or result in unintended tax shifting when challenges produce expanded exemptions
  - For certainty, with respect to operating property, percentages should be chosen and specified in statute