

HALL COUNTY INSTRUCTION SHEET
(Business Personal Property)
HALL COUNTY BOARD OF TAX ASSESSORS
300 Henry Ward Way, NE Suite 203
P.O. Box 1780
Gainesville, GA 30503
770-531-6749

Hall County Filing Instructions
Inventory–Machinery–
Equipment–Furniture–Fixtures

Tax Year January 1, 2009

RECENT LEGISLATIVE CHANGES APPLICABLE TO PERSONAL PROPERTY TAXATION

House Bill 1249 (effective for Tax Year 2007) exempts for a period commencing January 1, 2007, and concluding December 31, 2010, watercraft which is owned by a dealer and held in inventory for sale or resale. Consigned boat inventory will remain taxable and should be reported on the Business Personal Property Tax Return in Schedule B, Line 7, page 4 as well as Section 1. Boat trailers in inventory are exempt and should not be reported on the Business Personal Property Tax Return in Schedule B.

House Bill 211 (effective for Tax Year 2006) exempts aircraft which is owned by a dealer and held in inventory for sale or resale.

House Bill 527 (effective for Tax Year 2004) exempts self-propelled farm equipment which is designed primarily for agricultural, horticultural, or livestock raising operations and is owned by a dealer and held in inventory for sale or resale.

Senate Bill 150 (effective for Tax Year 2003) exempts all tangible personal property of a taxpayer, except motor vehicles, trailers, and mobile homes, from all ad valorem taxation if the actual fair market value of the total amount of taxable tangible personal property owned by the taxpayer within the county, as determined by the board of tax assessors, does not exceed \$7,500.00.

House Bill 1416 (effective for Tax Year 2001) exempts farm tractors, combines, and all other farm equipment other than motor vehicles, whether fixed or mobile, which is owned by and directly used in the production of agricultural products by qualified family owned farm products producers.

House Bill 1324 (effective for Tax Year 1999) exempts dealer-owned heavy duty equipment motor vehicle inventory which is self-propelled, weighs 5000 pounds or more, and is primarily designed and used for construction, industrial, maritime, or mining uses provided that such motor vehicles are not required to be registered and have a license plate.

Hall County Instructions Relating To Schedule A–Furniture/Fixtures/Machinery/Equipment

- (1) Please read below information before completing Schedule A. Personal property assets include machinery, equipment, furniture, fixtures and certain leasehold improvements. Licensed motor vehicles and licensed trailers should not be reported on this form. Buildings should be excluded. Leasehold improvements such as walls, doors, floor coverings, electrical, plumbing, personal comfort heating and air distribution systems, ceilings and lighting that are attached to and form an integral part of a building should not be reported as personal property. Computer software should be reported only to the extent of the cost or value of the unmounted or uninstalled medium on which it is stored or transmitted. Cost amounts as listed on this report are subject to audit and verification from your records at anytime within the seven-year statute of limitations which begins on the date the property was required by law to be returned. Failure to report cost amounts correctly will result in taxpayer being billed for prior years plus penalty if applicable.
- (2) Consolidate your acquisition cost into one figure according to year of purchase and depreciation group and list in accordance with depreciation grouping examples listed on state instruction sheet. These costs include your total purchase price, transportation cost to the place of use, and installation cost, foundations and electrical wiring and sales tax, etc. Do not deduct investment credit from acquisition cost.
- (3) A copy of the most current Form 4562 Depreciation Schedule as well as supplemental schedules utilized to develop depreciation deduction for MACRS assets placed in service prior to 2009 including assets listed under the columns headed Special Depreciation Allowance and Other Depreciation should be submitted with this report. A depreciation summary sheet is not acceptable, schedule should be detailed. Cost amounts listed on Schedule A should correlate with your depreciation schedule as submitted with this report. Items must be classified and grouped as per depreciation grouping examples on Sate Instruction Sheet. Failure to group correctly may result in a loss of depreciation credit.

Note:

Hall County Board of Tax Assessors requires all business accounts to submit a depreciation schedule each year in addition to any asset listing that may be supplied as required by Schedule A pursuant to O.C.G.A. § 48-5-299.

- (4)
 - (A) Items fully depreciated out but still in use or capable of being in use and not shown on your depreciation schedule as submitted with this report should have cost amounts grouped in Schedule A. An itemized listing of these assets should also be supplied.
 - (B) Items that were purchased and expensed without being capitalized for depreciation should have cost amounts listed in Schedule A. An itemized listing of these assets should also be supplied.
 - (C) If you are depreciating personal property in accordance with MACRS guidelines and submitting a Form 4562 Depreciation Schedule, it will be necessary to include a detailed description of assets being depreciated as 3-year, 5-year, and 10-year property. Failure to describe these items in a detailed manner could result in duplicate charges of property such as automobiles, trucks, leasehold improvements, etc.
 - (D) If you do not list depreciable assets for income tax depreciation you should state so.
 - (E) If you maintain a consolidated depreciation schedule that reflects assets located outside of Hall County at other facilities, a cost listing for assets in Hall County will be necessary in addition to your consolidated depreciation schedule.
 - (F) If your most current depreciation schedule at the date of filing this report is your previous calendar year schedule, said schedule should be submitted along with a listing of items acquired from January 1 through December 31, 2008 following the Schedule A format.
 - (G) If your depreciation schedule as submitted with this report reflects a fiscal year ending date prior to January 1, 2009 items purchased or acquired from fiscal year ending until January 1, 2009, should be reported by itemized listing including description, cost and date of purchase.
 - (H) If this is your first year in business and as of this date your depreciation schedule is not complete, you should list your assets following the Schedule A format and submit your depreciation schedule when completed.
 - (I) Failure to submit a copy of your most current depreciation schedule may necessitate tax assessors to obtain verification documents in accordance with authority granted in O.C.G.A. 48-5-300.
 - (J) All cost amounts reported should include trade-in. If trade-in was deducted from the invoice price, list the invoice price including the trade-in allowance.

- (5) If you are unable to submit correct machinery and equipment descriptions and cost amounts on hand as of the assessment date of January 1 in a timely manner, an estimated listing including cost amounts will be acceptable subject to the correct information being reported by April 15. However, if said equipment cost estimate is less than the actual amount of equipment finally assessed, a 10% penalty will be imposed against the amount of equipment cost not reported initially in accordance with O.C.G.A. 48-5-299.

(6) All machinery and equipment used in or which is part of any facility which has been installed or constructed at any time for the primary purpose of eliminating or reducing air or water pollution if such facilities have been certified by the Department of Natural Resources as necessary and adequate for the purpose intended may qualify for an exemption from ad valorem taxation pursuant to Georgia Code 48-5-41. The initial ad valorem tax exemption request may be filed on Form PC 1 available from this office on request. Failure to submit Form PC 1 will result in a waiver of this exemption for the current year. Once machinery and equipment is approved for exemption, additional filings will not be necessary unless new equipment is purchased that would qualify for this exemption.

(7) All production machinery and equipment that was utilized over 85% of total available time in multi shift operations over the 12 month period preceding the January 1 assessment date may qualify for an additional depreciation allowance if you supply this office with documentation of your multi shift operations and specific listing of machinery and equipment that is applicable for said additional depreciation. This request must be filed on Form MS 1 available from this office on request. Failure to submit Form MS 1 will result in a waiver for the current year. This form must be filed annually in order to qualify.

Hall County Instructions Relating To Schedule B Inventory (Freeport, Audit & Verification Information)

Freeport inventory exemption is available in certain jurisdictions/municipalities located in Hall County. Freeport inventory exemption is defined as an exemption of inventory of goods in process of manufacture or production, finished goods and finished goods stored for out of state shipment. Applications are available on written request and must be completed and filed with your business personal property tax return timely to receive the full exemption. Application may be filed by June 1 to obtain a partial exemption.

Inventory reported in this section is subject to audit and verification from your records for a period of seven years from the assessment date. Failure to report inventory correctly will result in taxpayers being billed for prior years taxes plus penalties based upon audit if applicable.

If you have locations other than Hall County and/or your fiscal year ends at a time other than December 31, an internal Balance Sheet or other comparable verification information for your Hall County location from your accounting records (General Ledger, Journal, etc.) as of December 31, will be necessary in addition to the U.S. and Georgia Forms referenced on Schedule B.

Instructions Relating To Inventory Cost

The Uniform Capitalization Rules, Section 263A of the Internal Revenue Code of 1986, should be followed in allocating proper cost to inventory for Ad Valorem Tax purposes.

Inventories – Inventories located in Hall County as of January 1 will be reported at 100% of delivered cost, including freight, at its level of trade. Level of trade is to include burden or overhead, inter company mark up, added value charges, etc. All elements of value including excise tax, in addition to cost, shall be included in reporting the inventory on January 1, at which point of time the merchandise is then and there considered in relation to its fair market value. Each inventory account should be analyzed to insure that all costs including burden or overhead that go to make value have been added to the "Raw Cost." You should report direct costs and an allocable portion of most indirect costs that benefit or are incurred because of inventory production or inventory resale activities. Notwithstanding book accounting or uniform capitalization rules per Section 263A of the Internal Revenue Code, you should use the methodology prescribed by Section 263A in reporting your inventory cost. Inventories will include your entire stock of goods including consignments, floor planned merchandise, raw materials, work in process, finished goods in transit within Georgia, warehoused, supplies or packaging material. Do not include licensed motor vehicles for use on the highway. Consigned and/or floor planned inventory not included and made a part of your own inventory must be reported at 100% of your delivered cost at level of trade. Deductions for anticipated mark downs or shrinkage will not be allowed. Inventory obsolescence reductions will not be considered unless taken for income tax purposes. Do not discount. Inventory reported in this report is subject to audit and verification from your records.

If you are unable to submit the correct inventory on hand as of January 1 assessment date in a timely manner, an estimate will be acceptable subject to the correct amount being reported by April 15. However, if said inventory estimate is less than the actual amount of inventory finally assessed, a 10% penalty will be imposed against the amount of inventory not reported initially in accordance with O.C.G.A. 48-5-299.

Inventory Classification

Manufacturing – This inventory usually consists of three types. "Raw Materials" are those components of a future product that are still in their original state of being and have not been acted upon. "Goods in Process" are those raw materials which have been partially acted upon but are still in an unfinished condition. "Finished Products" are raw materials which have been acted upon to produce the finished product. In the evaluation of the manufacturer's inventory, "overhead" (also referred to as a Burden) consists of such items as depreciation on buildings and machinery, taxes on buildings and machinery, electricity, fuels, direct labor of foreman, and repairmen, etc.

Wholesaler or Distributor – This inventory will consist of finished products, usually purchased in large quantities and held for sale in smaller quantities. In some instances this product may acquire an "added value" of Federal, State, or local taxes such as cigarette taxes or any other charge imposed upon the item that makes it more valuable to the owner. In all cases, the fair market value will be determined from the cost of the product plus the freight and whatever other cost or charges have been incurred, including burden or overhead.

Retail – This inventory will consist of finished products purchased from the wholesaler in quantities as needed and held in reserve or put on the shelves for sale to and consumption by the public. The value of this inventory will consist of all charges incurred from its original state as a raw material to its final resting place for ultimate consumption, including such items as freight and other overhead charges, with the exception of the cost of the final sale. Only mark downs actually reflected in the accounting records and posted to the physical inventory on inventory lien date of January 1 will be allowed in the valuation of inventory when the retail method is used.

Hall County Instructions Relating To Schedule C – Construction In Progress

Property owners who are constructing or installing a large piece or line or production equipment may be required by generally accepted accounting principles to accrue the total cost associated with such equipment in a holding account until the construction or installation is complete and the equipment is ready for production, at which time, the property owner is permitted by such principles to post the total accrued cost to a fixed asset account, taking appropriate depreciation. If such holding account is maintained by the property owner, the appraisal staff shall consider the accrued total cost reported in the property owner's holding account when appraising such property. Construction in progress shall be appraised in the same manner as other similar personal property taking into account that there may be little or no physical deterioration on such property and that the fair market value may be diminished due to the incomplete state of construction. If comparable sales information of personal property under construction is not available and if there is no other specific evidence to measure the probable loss value if the property is sold in an incomplete state of construction, the appraisal staff may multiply the identified total cost of construction by a uniform market risk factor of .75.