Frequently Asked Questions for Listing Business Personal Property

How is leased equipment handled?

- There are essentially two types of leased equipment, a Capital Lease and an Operational Lease.
- A Capital Lease is a financing agreement for equipment that you own and will keep when the lease is over. Normally, if the buy out payment is 10% or less of the total purchase price, the lease fits in this category (please ask you accounting expert since other items are to be considered).
  - A Capital Lease is the responsibility of the Lessee to report. However, in many cases the Lessor will list the property and bill you for the taxes.
  - If the Lessor is going to list the property, you are still required to list the equipment in section D on the back of the form. The information you provide will be matched to the information submitted by the Lessor.
  - If the Lessor is not going to report the equipment, you must include it on the front side of the listing form in the appropriate category. It should be reported at total capitalized cost (includes cost, shipping, set-up, etc) in the year it was acquired. If you report it on the front of the form, do not list it on the back in section D.
  - Please remember that for a Capital Lease, the lessee is responsible for assuring the assets are properly reported.
- The Operational Lease is a rental agreement where by you are using the equipment for a specific period of time and have the option to return the equipment at the end of the lease and the buyout is more than 10% of the original cost (again this is a very generalized statement, ask your accounting expert to be sure).
  - An Operating Lease should be reported on the back of the listing form in section D. Please provide the start and end date as well as the total sales price including taxes and shipping.
  - This equipment should not be reported on the front side of this form. It is the responsibility of the Lessor to report this information, which will be matched to the list submitted by the Lessor.

How do we account for previously leased equipment that is paid in full and still in our possession?

- When a lease ends and the equipment is retained, it should be reported at it's original capitalized cost in the original year of acquisition.

  Example 1: A piece of equipment was leased during 2014 and cost $100,000. In 2017, the lease ended, and the equipment was purchased per the lease buy-out for $2,300. The lessor listed the equipment for property taxes for 2014 through 2017. For the 2018 listing, you should list the equipment as a 2014 addition for the original cost of $100,000.

  Example 2: A piece of equipment was leased during 2017 and cost $20,000. By the end of 2017, the lease ended, and the equipment was purchased for $10,000. For the 2018 listing, you should list the equipment as a 2017 addition at the original cost of $20,000.

How do we report equipment acquired through a trade and cash transaction? (This would also apply to a 1031 Tax Free Exchange)

- The equipment relinquished in the trade should be deleted from your listing under the original year of purchase and for the original cost.
- The newly acquired equipment should be listed at the invoice cost before any trade-in allowance. Invoice cost includes sales tax, shipping, and any other cost related to the purchase.

- For federal tax purposes, the relinquished equipment is sometimes left on the books and the new piece only listed at the amount of cash given for the new asset. This method cannot be used for Property Tax Listing.
- It is recommended that a separate reconciliation sheet be kept for traded equipment.

If equipment is expensed rather than capitalized, does it have to be listed?

- Yes. It should be listed as an asset purchase just as if it has been capitalized.
- If asset detail is not available for expensed equipment, the total cost for the expensed items should be identified and reported in the correct acquisition year in either Group4 or Group 5 (whichever is available for your accounts). If you are filing electronically, you would select Schedule A84 or A85.

Why are leasehold improvements reported? Would they be included in the real estate value?

- Certain improvements are not assessed as real estate but are considered personal property. Examples are security systems, telephone systems, alarm systems, kitchen equipment, mill work, shelving, furnishings attached to real estate, heating or air conditioning systems for special purpose areas, coolers, piping (other than normal plumbing), and any other similar items.
- The real estate valuation includes such items as floor covering, wall covering, ceilings, normal lighting, heating, air conditioning, sprinkler systems, paving, outdoor fencing, and area lighting.
- It would be best to itemize the leasehold improvements as much as possible, so our staff can assure they are categorized appropriately. Remember, you are only to list the leasehold improvements that have been booked for the most immediate year. For the current listing period, only list the improvements made during the prior year.

Can a CPA sign the listing form?

- Listings must be signed by a legally authorized person such as the taxpayer, a guardian or authorized agent of the taxpayer, a principal officer of the taxpayer or a full-time employee of the taxpayer officially empowered to list the property. An authorized agent must have NCDOR Form AV-59 on file for the taxpayer to be able to sign the listing form.

What records must be retained?

- Financial statements, tax returns, trial balances, and receipts for a six-year period.
- Listings may be audited for the current year and five years prior.

  Example: Once the 2018 listing is due, an audit may be performed for the listing years 2013 through 2018 (six years).

- It is recommended receipts be saved for each piece of equipment still in use, even if it is older than 10 years, in case the original cost must be verified. If the cost is deemed unrealistic and no receipt is available, the auditor must use the best information obtainable to determine the original cost and current value.

How is additional vehicle equipment listed?

- The addition must be reported to the County tax office so the VIN information may be updated for accurate valuation.
- When you receive the combined property tax and registration notice on the vehicle, be sure to verify the new value is included and contact the tax office if there appears to be a discrepancy.
- This equipment should not be included on the personal property listing.

Do non-registered vehicles need to be listed?

- Yes. Unregistered vehicles (trailers, cars, trucks, buses, etc) must be listed on a Personal Property Tax Listing form.
- It is important to provide the VIN when completing the listing.
- If the tax office does not have a record of the VIN being taxed for prior years, you could be rebilled for the same property as a result of an audit.
- The Personal Property Tax Listing form is available at www.wakegov.com/tax/forms

Why should listings be filed timely?

- Failure to list personal and business property by January 31 each year will result in the assessment of a penalty.

What are the penalties for filing late or not listing all taxable equipment?

- For each listing period that has passed, a 10% penalty will be assessed against the tax amount due.

  Example: If a piece of equipment is purchased during 2015, it should be listed for taxes by January 31, 2016. If it is not listed and the County discovers the property through an audit conducted in 2018, the property will be listed for taxes and incur a 30% penalty on the 2016 value, a 20% penalty on the 2017 value (since it was never listed it must be added to each year), and a 10% penalty on the 2018 value.