



STATE BOARD OF EQUALIZATION

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No. 87/18

March 9, 1987

TO COUNTY ASSESSORS:

ASSESSORS' HANDBOOK SECTION 581,
EQUIPMENT INDEX FACTORS

Here is the 1987 revision of Assessors' Handbook Section 581, Equipment Index Factors. The equipment index factors in Chapters II, III, and IV have been updated.

The percent good table for machinery and equipment incorporates a rate of return of 10 percent. As in recent years, we have included only the "individual method" percent good table for machinery and equipment. The "group method" table differs only slightly from the individual method tables, and there is no clear data suggesting that one table is superior to the other.

The format of the agricultural and construction indexes remains unchanged from last year. However, we recommend that assessors use current market data and published valuation guides whenever possible. When valuation guides or other market data are inappropriate for the equipment being appraised, the economic life must be estimated. The appropriate index and a percent good factor from Table VI must then be applied to historic cost to arrive at an estimate of market value. Since the percent good factors in Table VI measure a normal amount of physical deterioration and functional obsolescence, significant economic obsolescence is not reflected. Economic obsolescence must be separately measured and allowed if conditions so dictate.

Chapter VII contains a list of improvements classified as structures or fixtures. This classification should be followed by the taxpayer in completing Schedule B of the Business Property Statement.

If you have any questions regarding this handbook section, please contact David Lucero or Bruce Dear of this division at (916) 445-4982.

Sincerely,

Verne Walton, Chief
Assessment Standards Division

VW:sk
Enclosure