



STATE BOARD OF EQUALIZATION

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Controller, Sacramento

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Executive Director

No. 92/34

April 24, 1992

TO COUNTY ASSESSORS:

VALUATION OF SEMICONDUCTOR MANUFACTURING EQUIPMENT

In December 1987 Board staff met with assessors and industry representatives to discuss property tax valuation of certain semiconductor assets. In the meeting it was determined that a study of the industry was warranted to determine the accuracy of valuation methods employed in valuing the assets used in the semiconductor industry.

After selection of an independent contractor to conduct the study, the first working meeting with the contractor was held September 12, 1988. The 1992 assessment season is now well upon us and the study has now been completed.

The issues were numerous and complex, and after several Board meetings the elected Board Members have adopted the study's recommended valuation factors for semiconductor manufacturing equipment.

Enclosed is a copy of the Arthur D. Little Final Report. The 1992 recommended factors are those shown in Column 4 of Exhibit 2 on Page 8 of the report.

The Board staff will continue to monitor this situation and make every effort possible to continue researching market data. Next year's recommendation letter will reflect this clarifying research. If you have any further questions, please contact our Business Property Technical Services Unit at (916) 445-4982.

Sincerely,

A handwritten signature in cursive script that reads "Verne Walton".

Verne Walton, Chief
Assessment Standards Division

VW:sk
Enclosure

EXHIBIT 2. Percent Good Factors

AGE (years)	NON-PRODUCTION MAINFRAME COMPUTERS ¹ (Comparative Sales Approach)	NON-PRODUCTION MINI COMPUTERS ² (Comparative Sales Approach)	NON-PRODUCTION MICRO COMPUTERS ³ (Comparative Sales Approach)	SEMICONDUCTOR MANUFACTURING ⁴ (Income Approach)	SEMICONDUCTOR MANUFACTURING ⁵ (Replacement Cost Approach)	COMPUTER MANUFACTURING ⁶ (Income Approach)
0	100%	100%	100%	100%	100%	100%
1	87	75	74	70	95	79
2	70	54	55	48	70	62
3	49	43	24	33	40	48
4	29	33	18	22	10	36
5	28	19		14		26
6	7	11		9		18
7	2	2		6		12
8				4		7
9				2		4
10				1		2
11				1		1
12				0		0

1. From Exhibit 2-12.
2. From Exhibit 2-15.
3. From Exhibit 2-18.
4. From Exhibit 3-21.
5. From Exhibit 4-16.
6. From Exhibit 5-9.

-8-
This report is incomplete without the accompanying verbal remarks.