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No. 95/26

TO COUNTY ASSESSORS:

VALUATION TABLES FOR COMPUTERS

In Letter To Assessors (LTA) 94/24, we provided a table to estimate the market value of computers. For 1995 we provide separate value factors for computer components that cost $50,000 or less and for components that cost more than $50,000. The factors are shown on the last page of this letter.

The factors were developed by analyzing resale values of PC's and mainframes as compared to original costs. No estimates of economic life are stated or implied, since the tables were derived by analyzing market data rather than price indexes and economic life patterns.

The value factors are intended to be applied directly to historical costs. As such, the tables include the effects of price changes (index or trend) and depreciation.

DEFINITIONS

Before using these tables, it is critically important to understand what types of equipment are intended to be covered by the tables.

First, the tables are intended to apply to **non-production computers**. Non-production computers are computers including related equipment designed for general business purposes. Non-production computers can be mainframe, mini, or personal computers (including networked personal computers). Related equipment includes monitors, printers, scanners, disk drives, cables, and other electronic peripherals commonly used as part of a non-production computer system.

The definition of non-production computers does **not** include computers embedded in machinery nor does it include equipment or computers specifically designed for use in any other application directly related to manufacturing. For example, equipment used for the manufacture of computers, semiconductors, or other computer components are **not** non-production computers, and the enclosed valuation tables are not appropriate for the valuation of such equipment.

For purposes of the 1995 valuation tables, a "computer component" is each separately stated asset.

USE OF THE 1995 VALUATION TABLES

Since the 1995 property statements do not include separate categories for different types of computer systems, it is necessary to establish procedures to ensure consistent and fair valuations of computer equipment. Here are the procedures we recommend.

In most cases, the type of computer system reported on the property statement is unknown.

a. If the property is a nonmandatory audit account (less than $300,000 personal property and fixtures value), use the $50,000-or-less table.

b. If the total cost reported for computers is $100,000 or less, no matter whether it is a mandatory or nonmandatory account, use the $50,000-or-less table.

c. If the account is a mandatory-level account and the total cost reported for computers is more than $100,000, contact the taxpayer and ask the taxpayer to provide a breakdown of costs.

   If the taxpayer provides the costs:

   Use the $50,000-or-less table for components that cost $50,000 or less

   Use the Over $50,000 table for all other equipment

   If the taxpayer does not provide the information, use the Over $50,000 table.

CORRECTION OF ERRORS

Corrections can be made to assessments later, if more accurate information is obtained.

Note that if there is an escape assessment caused by an incorrect assessor's estimate of the type of equipment involved, the escape should be enrolled pursuant to Section 531 of the Revenue and Taxation Code without interest or penalty. This is true even if assessor asked the taxpayer to supply detailed information, but the taxpayer did not supply the information so the assessor had to estimate the equipment type. The 1995 prescribed property statement did not request such breakdowns, and it is not reasonable to apply interest or penalties because the taxpayer did not provide detailed information on short notice.

If the estimate resulted in an excessive assessment, the excess taxes must be canceled or refunded promptly, regardless of whether the taxpayer was requested to provide detailed information.

1996 AND BEYOND

We are currently working on revisions to the property statements and instructions for 1996, so that computer equipment can be reported properly for mass appraisal purposes. If you have suggestions for such revisions and instructions, please contact the Assessment Standards Division, Business Property Technical Services, at the above address or at (916) 445-4982. We need your input no later than the end of April 1995 so we can properly consider all suggestions.

We also intend to gather more complete information on valuation factors applicable to various kinds of computer equipment and establish a specific methodology for translating the information into valuation tables for 1996 and beyond. We will begin this project within the next few weeks. We would appreciate any comments, ideas, or relevant information you can provide.

Sincerely,

John W. Hagerty
Deputy Director
Property Taxes Department

LIEN DATE 1995
VALUE FACTORS FOR COMPUTERS

YEAR ACQUIRED	OVER $50,000 COMPONENT COST	YEAR ACQUIRED	$50,000 OR LESS COMPONENT COST
1995	98%	1995	98%
1994	78%	1994	71%
1993	55%	1993	55%
1992	39%	1992	40%
1991	22%	1991	21%
1990	14%	1990	10%
1989	8%	1989	5%
1988	5%	1988	4%
1987	3%	1987	3%
1986	2%	1986	3%
1985	1%	1985	2%
1984	1%	1984	2%
1983	1%	1983	1%