



- Board Members
- Business Taxes Committee
- Customer Services and Administrative Efficiency Committee
- Legislative Committee
- Property Tax Committee
- Other [Insert Name]

Topic:

Update on the Status of the Valuation Factors Studies

Background:

The Board of Equalization is mandated by section 401.5 of the Revenue and Taxation Code to promulgate guidance for county assessors to follow in valuing locally assessed property, and for assessment appeals boards when equalizing locally assessed property. In an effort to meet that mandate, the Board annually publishes Assessors' Handbook Section 581, *Equipment Index and Percent Good Factors* (AH 581), to use as a guide in the mass appraisal of personal property and fixtures. Among other data, AH 581 contains tables of valuation factors for biopharmaceutical equipment and fixtures, semiconductor manufacturing equipment and non-production computers. These factors were developed during the 1990's and have not been updated since.

Industry representatives expressed interest for the Board to review current data to validate or update the information contained in AH 581 relative to these factors. In 2006, the Board received funding on a two-year limited term basis to create and participate on a team that will conduct studies in the development of valuation factors for these three equipment groups.

The valuation factors studies consist of three different studies: biopharmaceutical equipment and fixtures, semiconductor manufacturing equipment, and non-production computers. Each study has a team that consists of two members from industry, two from the counties, and two Board staff members.

It was anticipated that when the study began, market data would be readily available. When the teams first met, it was requested that any market data that was available be forwarded to the Board staff members. In addition, Board staff members would pursue acquisition of market data independently.

Staff has held recent meetings with both the biopharmaceutical and semiconductor teams apprising them of staff inability to acquire market data and to determine if the teams were aware of any market data available. Neither team was aware of any available data.

Current Status:

During the past year and a half, Board staff has pursued the acquisition of market data for all three studies. To date, staff has not received or been able to acquire any current market data for two of the three studies—the biopharmaceutical equipment and fixture study and the semiconductor equipment study. However, staff has been successful in purchasing market data for the non-production computer study.

The following is a status of each individual study:

Biopharmaceutical Equipment and Fixture Study

The definition was expanded at the Board's April 2007 meeting to include vaccines developed using organisms or material derived from organisms, their cellular, sub cellular or molecular components. Team members have toured several facilities. Board staff has reviewed the books and records of several companies to identify and familiarize themselves with the equipment and fixtures used in the biopharmaceutical industry. Unfortunately, despite the team's efforts, no market data has been acquired.

Semiconductor Manufacturing Equipment Study

The definition was expanded at the Board's April 2007 meeting to include fixtures used in semiconductor manufacturing. Board staff has toured two semiconductor manufacturing facilities. Staff has also reviewed the books and records of several companies to identify and familiarize themselves with the equipment and fixtures used in the industry. As with the biopharmaceutical study, efforts to acquire market data have not been successful.

Non-production Computers Study

The definition was expanded at the Board's April 2007 meeting to include local area network equipment. Staff has purchased market data from the used equipment market. Staff has also acquired computer blue books and is currently processing the information from both of these sources.

Staff has sent a survey questionnaire to various companies requesting information to determine the mix of computer equipment (laptops, desktops, LAN's, mainframe, printers, etc.) that would normally be in a company.

Conclusion:

Staff seeks direction from the Board regarding the biopharmaceutical equipment and fixtures study and the semiconductor manufacturing equipment study.

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