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No. 2008/056

October 2, 2008

TO COUNTY ASSESSORS AND INTERESTED PARTIES:

ECONOMIC LIVES IN ASSESSORS' HANDBOOK SECTION 581

Board staff is exploring the possibility of including in Assessors' Handbook Section 581, *Equipment Index and Percent Good Factors* (AH 581), economic lives for various equipment categories. Generally, the valuation of personal property in California is based on the acquisition cost of the property. The acquisition cost is applied to a price index (a price trending factor based on the year of acquisition) to provide an estimate of its reproduction cost new. The reproduction cost new is then applied to a percent good factor (complement of depreciation) to provide an estimate of the depreciated reproduction cost of the property (reproduction cost new less depreciation). The reproduction cost new less depreciation represents the taxable fair market value of the property.

Currently, AH 581 does not contain economic lives which would allow users to be able to determine which percent good factors in AH 581 to use to determine the taxable fair market value for the various categories of property/equipment. Enclosed is a draft table containing proposed economic lives for inclusion in AH 581. Interested parties are invited to provide comments regarding the proposal to include the enclosed economic lives in AH 581. Comments should be provided by October 24, 2008 to Sherrie Kinkle at sherrie.kinkle@boe.ca.gov or mailed to the above address. It is anticipated that an interested parties meeting will be held on November 5, 2008 at the Board's headquarters in Sacramento to discuss this issue.

If you have questions regarding this project, you may contact Ms. Kinkle at 916-322-2921.

Sincerely,

/s/ David J. Gau

David J. Gau
Deputy Director
Property and Special Taxes Department

DJG:sk
Enclosure

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ECONOMIC LIVES IN ASSESSORS' HANDBOOK SECTION 581

Board staff proposes that the following economic lives be included in Assessors' Handbook Section 581, *Equipment Index and Percent Good Factors* (AH 581). These lives will represent a "starting point." Thereafter, staff will meet with interested parties on an ongoing basis to discuss the lives and make necessary adjustments. Proposed changes to lives will be recommended to the Board during the annual adoption of AH 581. Changes to lives will be recommended by staff as a result of:

- Data as an outcome of a validated study conducted by Board staff, county staff, or industry.
- Data as an outcome of validated evidence presented at county assessment appeals boards by county staff or industry that results in one or more appeals boards making a decision regarding the economic life on a category of property/equipment contained in AH 581.

As indicated throughout the text of AH 581, the data contained in the handbook are intended as a *guide* for county assessors in the mass appraisal of personal property/equipment. County assessors are required by law to determine the market value of property. If data obtained by a county assessor, whether through a study conducted by the assessor's staff or by information submitted to the county assessor by the taxpayer, indicates a conclusion other than that in AH 581, the county assessor should base his/her value conclusion on the pertinent, verifiable market data available.

ECONOMIC LIVES AND VALUATION TABLE

CATEGORY	ECONOMIC LIFE (YEARS)	INDEX FACTOR TABLE	PERCENT GOOD TABLE
Aerospace Industry—Airframe Manufacturing Machinery	12	2	4
Agriculture—Farm	15	3	4
Agriculture—Mobile	See Tables	3	6
Amusement (e.g., Miniature Golf)	10	1	4
Amusement—Theme Park	15	1	4
Apartment Equipment and Furniture	8	1	4
Apparel Manufacturing	12	2	4
ATM—Composite	12	1	4
ATM—Only	10	1	4
Automotive Repair and Service	10	1	4
Bakery—Small	15	1	4
Bakery—Large	15	1	4
*Bank Fixture—Composite	15	1	4
*Bank Fixture—Category 1, Counter Line, etc.	15	1	4
*Bank Fixture—Category 2, Sign, Camera, etc.	10	1	4
*Bank Fixture—Category 3, Carpet, Drapes, etc.	8	1	4
*Bank Fixture—Category 5, Vault Door, Night Deposit	40	1	4
*Bank Fixture—Category 6, Drive-Up Window, etc.	20	1	4

* Category descriptions are from BOE-571 alternate Schedule A. If no property detail is provided, use the composite.

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CATEGORY	ECONOMIC LIFE (YEARS)	INDEX FACTOR TABLE	PERCENT GOOD TABLE
Barber Shop	12	1	4
Batch Plant—Concrete and Asphalt	20	2	4
Beauty Salon	12	1	4
Billiard Room	15	1	4
Blue Printing and Map Making	12	2	4
Book Binder	15	2	4
Bottling Plant—Other than Brewery	15	2	4
Bowling Alley	15	1	4
Brewery	15	2	4
Brick, Sewer Pipe, Terra Cotta, and Tile Manufacturing	17	2	4
Cannery	17	2	4
Car Wash	12	1	4
Cargo Container	20	1	4
Cement Manufacturing	20	2	4
Chemicals and Allied Product Manufacturing—Other than Refineries	15	2	4
Cocktail Lounge, Bar, and Saloon	12	1	4
Cogeneration Power Plant	20	2	4
Construction—Mobile	See Tables	3	5
Construction—Demolition Contractor	12	3	4
Cotton Gin	15	3	4
Dairy	15	3	4
Dental Laboratory	12	1	4
Dentist	12	1	4
Dry Cleaner	15	1	4
Electronic Equipment Manufacturing	10	2	4
Fab Metal Product Manufacturing Supplier	15	1	4
Facsimile	6	Untrended	4
Food Processing	15	2	4
Forklift	10	1	4
Furniture Manufacturing and Wood Working	15	2	4
Gas Cylinder—Other than Propane	20	1	4
Gas Distribution—Industrial—Other than Gas Cylinder	15	1	4
Glass and Glass Product Manufacturing	15	2	4
Glass Bottle Forming Equipment	8	2	4
Golf Cart	6	1	4
Grocery Store—Convenience—Other than Gasoline Service Property	12	1	4
Grocery Store—Supermarket—Other than Gasoline Service Property	12	1	4
Health Club and Athletic Club	10	1	4
Hospital	12	1	4
Hotel and Motel Furnishings	8	1	4

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CATEGORY	ECONOMIC LIFE (YEARS)	INDEX FACTOR TABLE	PERCENT GOOD TABLE
Ice Plant	15	2	4
Janitorial and Maintenance Service	8	1	4
Laboratory Equipment	10	1	4
Laundry—Coin Operated	10	1	4
Laundry—Commercial	15	1	4
Machine Shop	12	1	4
Mailing and Shipping Service—Large	15	1	4
Medical Office and Clinic	12	1	4
Mortuary	15	1	4
Newspaper Publisher	15	2	4
Office Furniture and Equipment	12	1	4
Pager (One-Way) and Mobile Telephone	4	Untrended	4
Paper Product Manufacturing	15	2	4
Photographic Laboratory—Commercial	10	1	4
Photographic Laboratory—One Hour	8	1	4
Plastic Manufacturing	15	2	4
Point-of-Sale	8	Untrended	4
Postage Meter	10	1	4
Printing Shop	12	2	4
Propane Tank	30	1	4
Recycler	15	1	4
Restaurant—Fast Food	12	1	4
Restaurant—Other than Fast Food	12	1	4
Retail Store—Other than Warehouse	15	1	4
Retail Store—Warehouse	15	1	4
Sand, Dirt, and Gravel Supplier	15	1	4
Satellite Dish—Residential	6	Untrended	4
School	12	1	4
Security and Surveillance	10	1	4
Service Station—Other than Underground Tank	12	1	4
Service Station—Underground Tank	25	1	4
Sheet Metal Manufacturing	15	2	4
Ship and Boat Builder	15	2	4
Shopping Cart	5	1	4
Sign	12	1	4
Ski Lift	15	1	4
Storage Bin—Trash	12	1	4
Sugar and Sugar Product Manufacturing	20	2	4
Telephone and Communication	10	1	4
Test Equipment	8	1	4
Textile Mill Product Manufacturing	15	2	4
Theater	15	1	4
Tools and Tooling	5	1	4
Vending Equipment	8	1	4
Video Game	4	Untrended	4

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CATEGORY	ECONOMIC LIFE (YEARS)	INDEX FACTOR TABLE	PERCENT GOOD TABLE
Warehouse Equipment	15	1	4
Wind Machine—Agricultural	25	3	4
Winery—Nonagricultural	15	2	4
Winery—Agricultural, Farm	15	3	4
Winery—Agricultural, Mobile	See Tables	3	6
Winery Tank—Stainless Steel	40	2	4