

Hope Your Holiday is Picture Perfect!

Your Friends at Ennes & Associates

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Texas Two Stamp

When does a .24 cent postage deficiency turn into \$150,000 of penalties and interest? When the post office returns your Texas property tax payment for that deficiency and you have to pay for late payment!

The Texas tax code considers payments timely when they are mailed with pre paid postage and have a post office cancellation mark indicating it was deposited on or before the due date of the payment. The taxpayer did mail it on time but was short postage. Although the initial mailing had a post mark prior to the due date, insufficient postage did not qualify as postage prepaid.

To make matters worse, the taxpayer did re-mail the payment on the actual due date but used a private shipping company

and therefore the payment did not carry a valid post office cancellation mark

This seemingly funny story, of course, did not end on a funny note. But it does serve notice to all taxpayers to pay attention to mailing instructions and post mark requirements when dealing with tax payments, personal property filings and other deadline sensitive tax issues. It's also important to note that a private carrier who does not use an official post office cancellation mark will not pass the timely filed test.

We all work too hard to minimize our tax expense just to have those efforts offset by this type of unnecessary penalty.

Having the Right Mind Set

With the increased demands on corporate tax departments at year-end, personal property (PP) tax filings can often be overlooked or not given the attention they deserve. Many times the PP returns are completed using un-audited information from the fixed asset listing and simply plugging a summary of the totals in the columns on the reporting form. However, these summaries are based upon classifications used for internal purposes and may not be accurate for PP tax reporting.

As a result, tax savings opportunities can be missed. However, by carefully examining the accounting information with an understanding of the relevant property tax rules in effect, a significant tax savings may be achieved or a costly discovery audit avoided. The key is to undertake this review with property tax compliance in mind, not just fixed asset accounting. So, in addition to the “standard” list of fixed asset management data which include:

- ❖ Acquisition cost, date of acquisition
- ❖ Description/serial/model nos.
- ❖ Location of the property
- ❖ Manufacturer and asset tag number
- ❖ Itemization of freight, transaction taxes, installation and set up charges
- ❖ Entity overhead charges

E&A also focuses on property tax savings opportunities such as:

Idle Equipment—Many states allow for idle equipment to be assessed at a greatly reduced value.

Exempt Property—Many states specifically exempt certain property from the general provisions of the personal property tax law. Some of the more common exemptions are registered motor vehicles, software and inventory.

Exempt Organizations—The United States Government as well as state and local municipalities, religious, charitable and educational organizations, non-profit hospitals and financial institutions may be exempt from PP taxes. However, if a property is owned by an exempt organization and leased to a non-exempt company it may lose the exemption.

Tax Incentive Programs—There may be incentive programs or special exemptions available. For example, manufacturers may be able to receive an exemption for new investment in areas such as economic development zones, industrial development districts or other target areas.

Freeport Exemption—This Federal exemption eliminates the possibility of taxation of goods in international commerce as well as double taxation of property stored in one state before being shipped to another state. Some states have codified a more relaxed application of this exemption for state tax purposes.

Pollution control—Qualified air and water pollution control equipment may be exempt.

Obsolescence—Neither functional (technological) nor economic (external) obsolescence are accounted for on PP depreciation charts. Obsolescence must be substantiated.

Leasehold Improvements—These are improvements made to a leased property to meet the specific needs of the lessee. Extreme care is required before reporting leasehold improvements on a rendition to avoid double taxation since these improvements may also have been considered as real property in the valuation of the building.

Ghost Assets—Are there assets that have been disposed of yet still are carried on your books? If you file off of an asset ledger that hasn't been updated in awhile you may be paying taxes on equipment you no longer own.

Appealing your personal property assessment should be a last resort. Utilizing proper filing strategies up front minimizes the need for later appeals. As always, if you need assistance in investigating PP tax issues feel free to give Jay Jerome at our office a call.

Taxing Tidbits

IL—The Cook County Board of Commissioners recently approved a recalibration of the county's property tax assessment ratios. Cook County Assessor, Jim Houlihan hopes this brings better accountability to the property tax system.

NY—The Commission on Property Tax Relief in New York State has sent its recommendations to the governor. The report included recommendations to establish a property tax cap set at 120% or the consumer price index or a 4% increase, whichever is lower as well as the establishment of a School Tax Relief “circuit breaker”.

UT—Shifting to an acquisition value vs fair market value assessment, more stringent truth-in-taxation regulations and lowering the property tax while increasing the sales tax are just a few of the suggestions the Revenue and Taxation Interim Committee heard during public hearings to solicit input from citizens regarding tax reforms. The Committee's recommendations will be considered as UT begins drafting its tax reform legislation.

