



North Carolina Department of Revenue

Michael F. Easley
Governor

E. Norris Tolson
Secretary

December 20, 2004

MEMORANDUM

TO: Users of Cost Index and Depreciation Schedules

FROM: Kirk F. Boone, Property Valuation Specialist II
Property Tax Division

RE: 2005 Schedules

This letter is to serve as notice that the Depreciation and Valuation Schedules for the 2005 tax year are available. We will have the Cost Index and Depreciation Schedules on the web as soon as possible. The Division's publication site is at <http://www.dor.state.nc.us/publications/property.html>.

We recommend the use of these schedules in the valuation of business personal property and certain taxable personal property listed as of January 1, 2005.

There were a few changes this year, other than the usual percent good factor adjustments. These changes are for appraisals as of January 1, 2005 and forward only and are not retroactive. The changes have been marked with an asterisk in the index and are described below:

- 1) We added additional guidelines for the appraisal of rental video tapes, DVD's and video games. The additional guidelines give a standard if the taxpayer provides the number of rentals only.
- 2) For 2005, we continued the recommendation from 2004 for an additional 25% obsolescence to the value calculated using the I-8 schedule on all temporarily idle fiber optic manufacturing equipment. This adjustment is applicable until the equipment is either in use, planned for use, or meets the definition of idle equipment on Index page 8.
- 3) Under the "Photographic" schedule we have added a category for self-service machines that allow the customer to use various digital input devices and through on-screen touch capabilities choose to produce either pictures, photographic storage CD's or transfer the images to outsource facilities for more professional printing. This equipment is highly computerized and mainly consists of Scanners and other digital input devices, digital output devices, and high quality color printers. We can recommend the C-6 schedule for this type of equipment.
- 4) The "Scrap Metal" schedule for equipment used in the cutting, wrecking, and storing of scrap metals was changed from Schedule E to Schedule A.

- 5) We have made changes to the Steam Powered Electrical Generating Equipment category. These changes include the adjustment from a 30 year life to a 28 year life in the primary category and clarification that this category includes assets used in the steam power production of electricity for sale and combustion turbines operated in a combined cycle with a conventional steam unit.

We also clarified that the 18-year category is recommended for combined cycle electrical generating equipment that does not also produce steam for sale.

- 6) The definition of “Tools” has been expanded. Special Tools are defined as tools used in manufacturing, such as jigs, dies, and molds which are specifically designed for the production or processing of particular parts and have no significant utilitarian value and cannot be adapted to further or different use after changes or improvements are made in the model design of the particular part produced by the special tools. This category does not include general-purpose small tools.

Examples of special tools are:

Jig- A device used to guide a tool; it usually has the function of clamping and positioning materials during machine processing.

Die- A tool used for cutting out, shaping, punching, forming, or stamping various materials.

Mold- A hollow form or frame for giving a certain shape to something plastic or molten.

- 7) The schedule for Warehouse materials handling equipment was changed from Schedule E to Schedule A.

These schedules have been prepared by this office as a general guide to be used in the valuation of business personal property utilizing the replacement cost approach to value. It is important to remember that the schedules are only a guide. There may be situations where the appraiser will need to make adjustments for additional, or less, functional or economic obsolescence, or for other factors.

We feel that the proper use of the schedules will aid in the overall uniformity and equity of property tax assessment practices as required by North Carolina statutes. If you have any questions about these schedules please contact Kirk Boone, Dave Duty, or David Baker at 919-733-7711.