



North Carolina Department of Revenue

Michael F. Easley
Governor

E. Norris Tolson
Secretary

December 22, 2005

MEMORANDUM

TO: Users of Cost Index and Depreciation Schedules

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

RE: 2006 Schedules

This letter is to serve as notice that the Depreciation and Valuation Schedules for the 2006 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, 2006.

There were a few changes this year, other than the usual percent good factor adjustments. These changes are for appraisals as of January 1, 2006 and forward only and are not retroactive. The changes have been marked with an asterisk in the index and are described below:

- 1) We have recognized additional depreciation in the valuation of some analog television broadcasting equipment by recommending the B5 schedule with a 10% residual value. Certain analog broadcasting equipment will be affected after the FCC requires that television broadcasters turn off all analog broadcasts. The taxpayer should identify this effected equipment in their listing. Appraisers should be familiar with these changes in this industry and should consider an on-site visit to become familiar with the equipment. Broadcasters are currently required to transmit their broadcasts in both analog and digital format. Congress is narrowing in on a date in early 2009 to require all broadcasters to cease transmitting the analog signal, thereby making some equipment essentially useless. Digital and all other broadcasting equipment that will still be usable after the turn off date should be appraised the same as in prior years, using the B6, B25, or other appropriate schedule as determined by the appraiser.

Please note that Schedule B on page 18 shows a separate B5 schedule at the right of the page, indicating the 10% residual value for this category of equipment and describes what this special B5 schedule is to be used for at the bottom of the page.

- 2) For 2006, we continued the recommendation from 2004 and 2005 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) We have expanded some of the descriptions under the “Cable TV Equipment” major category.
- 4) We have added “landscaping equipment” under the “Farm and Ranch Machinery and Equipment” Major Category. We recommend an A8 schedule. As always, the taxpayer may offer additional information regarding physical deterioration that you should consider when appraising this equipment. Landscaping equipment that is rented on a daily or hourly basis generally suffers additional physical deterioration. Therefore, as in previous years; we recommend the N5 schedule for this type of rental equipment.

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.