



TAXPAYER INFORMATION BULLETIN

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PERSONAL PROPERTY TAX

The chief characteristic distinguishing personal property from real property is mobility. Land and improvements to land are considered real property. Unless specifically exempted by law, all other property is taxable as personal property.

This pamphlet provides a basic description of personal property tax. While it is up-to-date at the time of publication, changes in the law may supersede or invalidate some of this information. This pamphlet does not deal with all aspects of personal property tax, particularly those that are complex or out of the ordinary. In addition, it does not change or overrule any administrative regulations or rulings issued by the Department of Revenue.

ADMINISTRATION

The Thurston County Assessor values property at its fair market value. The Thurston County Treasurer collects the property tax. The Washington State Department of Revenue advises the Assessor and Treasurer, and oversees the valuation and taxation of property across the state.

Listings: By April 30 each year, business owners are required to file an annual listing of personal property used to conduct business. These personal property listings must list all taxable property located in the county as of 12:00 noon on January 1 of that year.

The Assessor's Office must allocate assessed values to the taxing district in which the business is located. This means that owners with multiple locations need to file a separate listing for each place of business in Thurston County.

The listing must:

- ◆ Identify each category or type of asset. For example, office equipment would be separate from computers, desks, facsimile machines, etc.
- ◆ Include the date each item was acquired.
- ◆ Include the total purchase cost of each item, excluding sales tax. The total purchase cost of an item includes all costs associated with making the property operational. For example, installation, freight charges, and the value of any trade-in are costs that may be incurred when buying a new piece of equipment.
- ◆ Include all supplies, not for resale, that are on hand as of January 1. This includes office supplies (paper, pens, staplers, etc.), small tools, spare parts, and retail supplies (cash register tape, bags, etc.).

Once property is listed on the tax rolls for the first time, owners are mailed a new listing near the beginning of each calendar year. By April 30, the property owner must certify that the list is correct, adding any new acquisitions and deleting any property that has been disposed. **The listing must be returned to the Assessor's Office whether or not there are any changes.**

By law, business owners are responsible for filing the personal property listing every year. This is true even if the owner does not receive a listing in the mail.

Penalty for Failing to List Property: The penalty for failing to file a personal property listing is five percent of the tax due per month, up to a maximum penalty of 25 percent.

Valuation: Property listed on the listing is valued at 100 percent of its current market value. Market, or true and fair value, is the amount that a willing and unobligated buyer is willing to pay a willing and unobligated seller. After valuing the property, the business owner is notified of the property's assessed value.

Appeal of Assessed Value: Business owners should contact the Assessor's Office if they feel an assessment is incorrect. We will explain how the value was determined and make any necessary corrections, if appropriate. The assessment can be appealed to the Thurston County Board of Equalization if the owner still believes the assessment is incorrect or excessive.

Appeal forms are available from the Board of Equalization. The Board must receive the appeal on or before July 1 of the assessment year, or within 60 days of the date of the notice, whichever is later.

Tax Liens: Personal property is subject to tax at the same levy rates as real property. If the tax is not paid, a lien on personal property will exist from the time the Assessor lists and values the property until the tax is paid. If the tax remains unpaid, a lien may be placed on the owner's other real property.

Payment of Property Taxes: The Treasurer mails property tax statements during February each year. It is important to note that the person who owns the property as of January 1 of the **assessment year** owes the tax due the following year. The tax is due even if the business closes or the property is sold or transferred. For example, a business owner lists equipment on the personal property listing as of January 2008. In July 2008, the owner sells the equipment. The selling owner owes the full amount of tax due in 2009 for the 2008 assessment year.

The lien, however, follows the property. This means that a new owner can be held responsible when the previous owner does not pay the taxes.

Penalties for Late Payment: Personal property taxes that are not paid or are paid late are subject to interest, penalties, and possibly distraint costs by the Treasurer.

Seizure of Property and Advance Payment of Taxes Required: The Treasurer may proceed to seize the personal property, if the taxes are not paid or if either the Assessor or Treasurer believes the property will be removed from the state before the tax is due. In addition, the Treasurer may require advance payment of tax if the property is sold or transferred before the tax is due.

TANGIBLE PERSONAL PROPERTY

Machinery and Equipment, Fixtures and Furniture: In general, machinery and equipment are considered personal property if they can be removed without endangering the integrity of the building in which they are housed. It can be difficult to distinguish real from personal property when machinery and equipment are attached to the building in which they are installed. The Assessor's Office can answer any questions about whether machinery and equipment are taxable as real or personal property.

Furniture and other fixtures are subject to personal property tax. Other examples of taxable tangible personal property include:

- ◆ Office furnishings and equipment
- ◆ Store fixtures and equipment
- ◆ Computer software (canned or embedded)
- ◆ Manufacturing equipment (when not taxable as real property)
- ◆ Construction equipment
- ◆ Signs
- ◆ Communication equipment
- ◆ Tools

Leased Equipment: Leased equipment, including equipment leased under a lease-purchase contract, is subject to personal property tax. As the legal owner, the lessor must file an annual personal property listing with the county Assessor in each county where leased equipment is located. However, if the contract states that the lessee is responsible for reporting the equipment, it must be included on the lessee's listing.

Farm Equipment: All farm equipment, machinery, and supplies are subject to personal property tax.

Leasehold Improvements: The improvements a lessee makes to leased space are taxable as leasehold improvements. Leasehold improvements are subject to personal property tax regardless of whether real property is leased from a private party or a government entity.

Supplies: Supplies used in a business are subject to personal property tax. However, items that become an ingredient or component of an article manufactured for sale or items held for resale are not subject to personal property tax.

Vehicles: Vehicles not designed for road use and not licensed are subject to personal property tax. Examples of vehicles that may be subject to personal property tax include:

- ◆ Special highway construction equipment, such as earth moving and paving equipment
- ◆ Farm vehicles
- ◆ Off-road vehicles
- ◆ Racing vehicles

Watercraft: Examples of watercraft subject to personal property tax include:

- ◆ Vessels used exclusively for commercial fishing
- ◆ Documented vessels, such as tugs, used to transport property or people between specific points
- ◆ Barges, dredges, and similar watercraft
- ◆ Charter vessels and vessels used for bare boat rentals that require documentation by the United States Coast Guard.

Annually, the Department of Revenue values and collects personal property tax on the above vessels and watercraft. Listing forms are available from Department of Revenue, Special Programs Division, at (360) 570-3265.

EXEMPTIONS FROM PERSONAL PROPERTY TAX

The following are exempt from personal property tax:

- ◆ Household goods and personal effects. However, those household items and personal effects used in a business are subject to tax.
- ◆ Personal property owned by government entities
- ◆ Cargo containers used in commerce
- ◆ Custom software
- ◆ Business inventories, including livestock, items held for resale in the normal course of business, and materials that become an ingredient or component of articles being manufactured for sale. Property held for lease to others is not considered part of a business' inventory.

Sole Proprietors: Sole proprietors who qualify as a head of family are eligible for a property tax exemption on \$15,000 of the assessed value.

Farming Machinery & Equipment: Farmers may apply for a partial exemption on equipment and machinery used solely for agricultural growth and production.

Annual Application: An annual application must be made to the Department of Revenue to exempt the following from personal property tax:

- ◆ Property owned or leased by churches, schools, social service agencies, and other nonprofit organizations and
- ◆ Airport property located in Washington State but owned by municipalities located in adjoining states.

DESTRUCTION OF PERSONAL PROPERTY

The assessed value of personal property may be reduced when property has been destroyed in whole or in part or when the property value was lowered by more than 20 percent as the result of a natural disaster.

A reduction in the assessed value will not be granted to any property owner who is convicted of arson in the destruction of that property.

A claim must be filed with the Assessor's Office within three years of the destruction or reduction in value. Claim forms are available by calling (360) 867-2200 or download from www.co.thurston.wa.us/assessor.

**Thurston County Assessor's Office
Building 1, Room 127
2000 Lakeridge Drive SW
Olympia, WA 98502-6045**

☎ Personal Property (360) 867-2200

☎ FAX (360) 867-2201

☎ TDD (360) 754-2933

www.co.thurston.wa.us/assessor

Attention Business Owners:

Please remember, your signage is taxable and must be included on your personal property listing.

Thank you