

Information on Washington's Tax Structure



Personal Property Tax

PERSONAL PROPERTY TAX

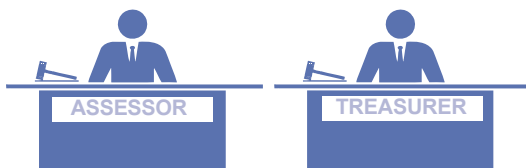
Personal property in Washington is subject to property tax just like real property. Although most personal property is subject to the same tax rate as real property the distinguishing characteristic of personal property is its mobility.

In general, real property includes land, improvements to land, structures and certain equipment affixed to structures. Personal property includes machinery, equipment, furniture and supplies of businesses and farmers and improvements to land that is leased from government. Household goods, certain intangibles, and business inventories are specifically exempt from personal property tax.

This fact sheet provides general information regarding personal property tax. The information is current at the time of publication. However, please note subsequent changes in the law may supersede or invalidate some of this information.

ADMINISTRATION

By state law, the County Assessor is responsible for the assessment of real and personal property including the calculation of taxes. The Treasurer is responsible for the billing and collection of the taxes based on the "tax roll" received from the Assessor. The Department of Revenue is also involved in the administration of property taxes and advises assessors and treasurers on how to assess property to assure uniformity of assessment and taxation throughout the state.



Affidavits: Property owners are required to file an annual listing of all taxable personal property that was located in the county as of 12:00 noon on January 1 of the current year by April 30. Personal property affidavits are available from the assessor's office. Owners of personal property must list each item, its acquisition cost and the year acquired for all taxable personal property. The assessor then determines the value for assessment purposes based on the information provided. Should an affidavit not be provided the assessor is required to estimate the value of all personal property based on the best information available.

JANUARY	FEBRUARY
1	
MARCH	APRIL
	30
MAY	JUNE
JULY	AUGUST
SEPTEMBER	OCTOBER
	31
NOVEMBER	DECEMBER

The affidavit must:

- ◆ Identify each personal property category. For example, office equipment must be separately identified as computers, desks, facsimile machines, etc.
- ◆ Include date of acquisition for each item.
- ◆ 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 and engineering charges are costs that may be incurred while placing property into operation. The value of any trade-in is to be included as part of the total purchase cost.
- ◆ Supplies on hand as of January 1 including office and retail (cash register tapes, bags, etc.) supplies.

Once property is assessed and listed on the tax rolls, the assessor mails the property owner a new affidavit at the beginning of each calendar year. The property owner must verify the list, add or delete property as appropriate and sign and return the affidavit to the county assessor by April 30.

Please note property owners are responsible for filing a personal property affidavit every year, even if the property owner does not receive an affidavit in the mail.

Penalty for Failing to File Affidavit: The assessor may impose a penalty if the personal property affidavit is filed late. The penalty is five percent of the tax due per month, up to a maximum penalty of 25 percent. In the event that an owner does not file or report personal property the assessor is required to estimate the value of personal property based on the best information available to them.

Valuation: The assessment of personal property determined by the assessor is at 100 percent of its current market value. Market, or true and fair value, is the amount that a willing and not obligated buyer is willing to pay a willing and not obligated seller. After performing a personal property assessment, the assessor informs the property owner of the assessed value.



Appeal of Assessed Value: Property owners should immediately contact the assessor's office if they believe an assessment is incorrect. The assessor, or their representative, can explain how the value was determined and, if appropriate, make any necessary corrections. If the property owner still believes the assessment is incorrect or excessive, the assessment may be appealed to the County Board of Equalization on forms available at the assessor's office. The Board must receive the appeal by July 1 or within 30 days of when the assessment was mailed, whichever is later. (Some counties have extended the filing period to 60 days. Check with the Board of Equalization in the county where the property is located for the filing deadline.)

Tax Liens: By law, a lien on real and personal property exists from the time the assessor lists and values the property until the tax is paid. For example, the assessor may value personal property during June of the assessment year, however, the tax is not due until April 30 of the following year. The lien is in effect from the time the assessor makes the assessment in the first year until the taxes are paid the following year. If the tax is not paid, the treasurer may place a lien on the property owner's other real and personal property.



Payment of Property Taxes: The county treasurer mails the property tax statements during February each year. If the amount of tax due is \$50 or less, full payment is due by April 30. If the tax due is over \$50, half of the amount due may be paid by April 30 and the balance by October 31.

The person who owns the property as of January 1 of the assessment year owes the tax. The tax is due even if the business closes and the owner sells or transfers the property prior to the end of the year. For example, a property owner submits an affidavit of personal property held as of January 1, 2000. In July 2000, the property owner sells the property. The selling owner owes the full amount of tax due in 2001 for the 2000 assessment year.

It is important to note the lien follows the property. This means a new owner can be held liable if the previous owner did not pay the tax.

Penalties for Late Payment: Personal property taxes paid late are subject to interest and penalties. All delinquencies are assessed interest at the rate of 12 percent per year. A penalty of three percent is added to the entire year's tax if the first half payment is not received by May 31 and an additional eight percent is added if the tax remains delinquent on November 30.

Distraint of Property and Advance Payment of Taxes Required: The treasurer may proceed to distraint (seize) the personal property, if the taxes remain unpaid for three consecutive years. The treasurer has the option of seizing the property or requiring immediate payment and or advance payment of tax if it is believed that the property is about to be removed from the state or county before the tax is paid.

PERSONAL PROPERTY

Unless specifically exempt, all tangible personal property is subject to the personal property tax. The following list represents an example of the major classifications of taxable personal property.

Machinery and Equipment, Fixtures and Furniture: In general, machinery, equipment, fixtures and furniture are considered personal property unless permanently affixed to real property. An item is considered permanently affixed if it cannot be removed without endangering the integrity of the real property to which it is attached. In addition, an item is considered permanently affixed if the item is situated in one location and adapted to use only in that location.

The assessor's office can answer questions about whether a specific item is taxable as real or personal property.

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; and
- ◆ Equipment used in commercial fishing activities.

Leased Equipment: Leased equipment, including equipment leased under a lease-purchase contract, is subject to the personal property tax and must be listed with the assessor. Both the lessor and the lessee may be required to list the leased equipment on their personal property affidavit with the county assessor in each county where the leased equipment is located. The assessor will determine to whom the property should be assessed.

Farm Equipment: All farm equipment, machinery, supplies, and small tools are subject to the personal property tax. Exemptions or partial exemptions apply to some farm machinery and equipment. Contact the assessor for additional information about exemptions.



Leasehold Improvements: Leasehold improvements are subject to the personal property tax when a lessee/tenant of a structure retains ownership of the leasehold improvements or is required to remove them at the end of the lease. For example, the improvements a lessee makes to space leased as a shell 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 governmental entity.

Supplies: Items held for resale (inventory) or which become an ingredient or component of an article manufactured for sale are not subject to personal property tax. However, supplies used in a business are subject to the personal property tax. More information about the tax on supplies is available in the Department of Revenue's Property Tax Bulletin No. 90-3.

Timber on Public Lands: Timber purchased from the state or a municipality is subject to the personal property tax. The tax is based on the value of the standing timber remaining on January 1 of each year. WAC 458-12-320 provides detailed information about the taxation of timber on public lands.

Personal property tax paid on timber from public lands may be taken as a credit against the timber excise tax that is due when the timber is harvested. Personal property tax credit applications are available from the Special Programs Division of the Department of Revenue, by calling (360) 753-7086. Electronic forms may also be available from our web site.

Watercraft: Commercial watercraft, when exempt from the annual excise tax collected by the Department of Licensing, must be listed with the Department of Revenue. Listing forms are available from the Special Programs Division of the Department of Revenue, by calling (360) 753-1520.



Watercraft listed with the Department of Revenue is subject to the personal property tax, but is only taxable at the state levy rate. Examples of watercraft subject to the personal property tax include:

- ◆ Vessels used exclusively for commercial fishing;
- ◆ Documented vessels, such as tugs, used to transport property or persons between specific points;
- ◆ Barges, dredges, and similar watercraft; and
- ◆ Charter vessels that are required to be documented by the United States Coast Guard.

The Department values and collects the personal property tax on the above vessels and watercraft annually.

Vehicles: Vehicles not designed for road use are subject to the personal property tax. Examples of

vehicles that may be subject to the personal property tax include:

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



INTANGIBLE PERSONAL PROPERTY

Intangible personal property is exempt from personal property tax. The exemption includes, but is not limited to: monies, notes, certificates of deposit, personal service contracts, franchise agreements, trademarks, brand names, patents, copyrights, licenses and customer lists.

Characteristics that influence the value of real property such as zoning, location, view, geographic features, easements, covenants, proximity to raw materials, condition of surrounding properties, proximity to markets, and the availability of a skilled work force are not included within the definition of intangible personal property. The use of standard appraisal practices in valuing real property will take these characteristics into consideration.

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 property has lowered in value by more than 20 percent as a result of a natural disaster and is within an area declared a disaster area.

A claim must be filed with the county assessor within three years of the destruction or reduction in value. Claim forms are available from the assessor's office. The county assessor may act on his/her own accord to reduce the value of the property.

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

EXEMPTIONS FROM PERSONAL PROPERTY TAX

The following are exempt from the personal property tax:

- ◆ Household goods and personal effects. However, household items and personal effects converted to business use are subject to tax;
- ◆ Personal property owned by governmental entities;
- ◆ 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 or rental to others is not considered business inventory;
- ◆ Cargo containers used in interstate commerce;
- ◆ Custom software;
- ◆ Sole proprietors who qualify as a head of family are eligible for a property tax exemption on \$3,000 of assessed value. The personal property affidavit has a box to check for this exemption. The assessor determines who qualifies as a head of family. For those who qualify, the assessor deducts the exempt amount from the assessed value of the personal property; and
- ◆ Personal property accounts valued less than \$500 are exempt from taxation. This exemption does not apply when the \$3,000 head of family exemption has been claimed.

An annual application must be made to the Department of Revenue to exempt property owned by churches, schools, social service agencies, and other nonprofit organizations.

FOR MORE INFORMATION

Specific questions about personal property affidavits and assessments should be directed to your county assessor. Questions about tax statements should be directed to your county treasurer.

Telephone numbers of these offices are located in the county government section of your local telephone directory.

PUBLICATIONS

Washington statute, Title 84 the Revised Code of Washington (RCW) includes provisions for the taxation of personal property. The Department of Revenue publishes administrative rules, Washington Administrative Code (WAC), to administer the law. Chapter 458-12 WAC provides for the taxation of personal property.

The Department of Revenue also issues Property Tax Bulletins and Advisories that provide an in-depth discussion of certain tax applications.

Upon request, copies of the statute, administrative rules, and Property Tax Bulletins and Advisories will be provided. For this service, please contact your local Department of Revenue office listed on the back page of this fact sheet, the web site noted below, or call the Telephone Information Center at 1-800-647-7706, or the local county assessor's office. You can also find information on the Department's web site at: <http://dor.wa.gov>.



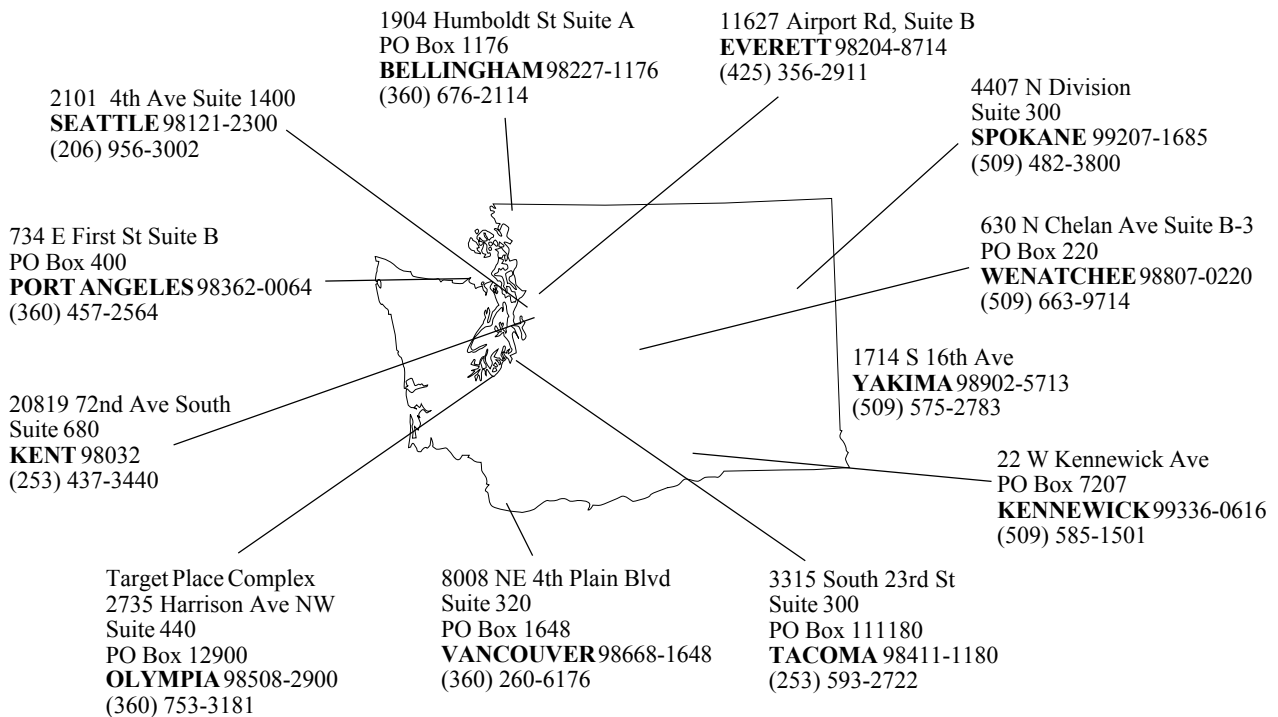
If you are a Teletype (TTY) user, please call 1-800-451-7958.

Department of Revenue Taxpayer Assistance



<http://dor.wa.gov>

Field Office Locations



Telephone Information Center
1-800-647-7706

To inquire about the availability of this document in an alternate format for the visually impaired, please call (360) 486-2342.
Teletype (TTY) users please call 1-800-451-7985.