



North Carolina Department of Revenue

Michael F. Easley
Governor

Reginald S. Hinton
Secretary

December 19, 2008

MEMORANDUM

TO: Users of Cost Index and Depreciation Schedules

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

RE: 2009 Schedules

This letter serves as notice that the Depreciation and Valuation Schedules for the 2009 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, 2009.

There were a few changes this year, other than the usual percent good factor adjustments. These changes are for appraisals as of January 1, 2009 and forward only and are not retroactive. The changes have been marked with an asterisk in the index and are described below:

- 1) Digital billboard displays should be appraised using the I-8 Schedule. The structure of the billboard will be appraised separately, using the guidelines found in the 2009 Billboard Appraisal Manual. However the digital display itself should be appraised separately, using the percent good factors found in schedule I-8, and then added to the value of the structure. The I-8 Schedule may also be used for tri-fold sign displays.

For jurisdictions with fiber optic manufacturing equipment, we suggest a review of any properties that have been granted additional depreciation pursuant to our suggested additional 25% reduction for temporarily idle equipment on Index Page 7. We have received indications that some of this equipment has been placed back into operation.

In 2005, the North Carolina Court of Appeals affirmed the North Carolina Property Tax Commission's decision in the matter of the appeal of Westmoreland –LG&E Partners from the decision of the Halifax County Board of Commissioners for the tax years 1996-2001. In its decision, The North Carolina Court of Appeals quoted excerpts from the Property Tax Commission's decision. They quote, "The Tax Administrator properly applied the Cost Index and Depreciation Schedules developed by the North Carolina Department of Revenue..." The Court also writes, "It is well-settled in this State that ad valorem tax assessments are presumed

correct.” This and other previous cases have solidified our opinion that when used properly, the Cost Index and Depreciation Schedules are well accepted by the courts.

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 Gregg Martin at 919-733-7711.