

# Business Personal Property Audits

REVISED

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## Utah State Tax Commission

### Property Tax Division

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801-297-3600  
1-800-662-4335  
tax.utah.gov

*If you need an accommodation under the Americans with Disabilities Act, email [taxada@utah.gov](mailto:taxada@utah.gov), or call 801-297-3811 or TDD 801-297-2020. Please allow three working days for a response.*

## General Information

Personal property taxes are based upon property owned as of January 1. For example, if a business is audited in September of 2019, only assets acquired before Jan. 1, 2019 will be included in the audit.

- The value of personal property is determined by the acquisition cost less depreciation.
- The acquisition cost includes freight, installation charges and sales tax paid on the asset.
- The amount of depreciation is determined by the age of the asset and the property class.
- Value of property acquired through bankruptcy or any other "distressed" transaction will reflect current fair market value, not necessarily acquisition cost.
- Assets fully depreciated for income tax purposes and still being used in the business are still subject to the property tax.
- Property that is being depreciated for income tax purposes is assumed to be in use and taxable.
- Leased personal property is reported by both the lessee and the lessor. In most cases, taxes are assessed to the lessor. Conditional sales agreements are taxed to the lessee.
- Personal items used in the business are taxable.
- Personal property transferred between relatives is valued based on established IRS guidelines.
- Any deduction from fixed asset cost attributable to some form of intangible will only be recognized if supported by appropriate accounting records.

**If acquisition cost and time of purchase information is not provided to the auditor within the requested time-frame, the value will be estimated by the auditor. Pursuant to Section 59-2-307 of the Utah Code, estimates cannot be changed by the County Board of Equalization or the State Tax Commission.**

## What is a Personal Property Audit?

A personal property audit consists of a review of the taxable personal property used in a business. It serves as a review of taxpayer compliance to the statutory reporting requirements of filing an accurate *Personal Property Signed Statement*.

All tangible personal property is taxable unless exempted. The following are exempt from personal property tax:

- Tangible personal property with a total aggregate fair market value of **\$10,800** (2019) or less per taxpayer within a single county (Utah Code §59-2-1115 and Rule R884-24P-68)
- An item of expensed personal property having an acquisition cost of \$1,000 or less and having a percent good of 15 percent or less (Utah Code §59-2-1115 and Rule R884-24P-33)
- Inventory held for resale in the normal course of business (Utah Code §59-2-1114)
- Farm equipment and machinery used primarily for agricultural production (Utah Code §59-2-1101 and Rule R884-24P-44)
- Livestock (Utah Code §59-2-1111)
- Household furnishing (Utah Code §59-2-1113 and Rule R884-24P-29)
- Intangible personal property (Utah Code §59-2-102)
- Personal property used for irrigation purposes (Utah Code §59-2-1111)

## Processes and Procedures

### Notification

An introductory letter is mailed two weeks in advance of an audit. The letter identifies the week the audit will be conducted and information that should be made available for the auditor. The auditor will then contact you by telephone and arrange a convenient date and time to meet you during that week.

On the date of the audit, the auditor will conduct an on-site inspection and obtain copies of the necessary financial records. The auditor may request additional information and will provide a reasonable amount of time for you to locate and provide this information.

## On-Site Inspection

The auditor visits the business on the scheduled date, and makes a physical inspection to identify all taxable personal property. Copies of relevant financial and accounting records should be made available at this time. You should include:

- depreciation schedules;
- balance sheets;
- income statements;
- latest federal income tax return;
- accounting journals and books;
- fixed asset ledgers;
- sales and withholding tax licenses; and
- lease documentation.

You may wish to have your accountant or bookkeeper present during the physical inspection.

## Reconciliation/Analysis

The results of the physical inventory and financial records portion of the audit must be reconciled with each other. Some follow-up may be required.

## Audit Results

Once the audit is completed, the results are mailed to you for review. Questions and concerns should be directed to the auditor as soon as possible. If the auditor does not hear from you within **21 days**, the results are forwarded to the county assessor.

## Billing and Appeals

The county assessor bills the taxpayer for any tax due or issues a refund for any audit decrease.

Taxpayers have **60 days** from the postmarked date of the tax bill to file an appeal. Appeals should be directed to the appropriate county board of equalization and must be based on questions of value, not on an increase in the taxes. (UC §59-2-1005)

We realize that no one likes to be audited. We emphasize this fact to our auditors and train them to act in a courteous and professional manner. We also acknowledge that you are in business to make a profit, not to spend time working in our behalf. It is our goal to provide you with courteous, professional auditors that recognize the value of your time. If you feel that we do not meet this standard in auditing your business, please call Gina Holder, audit manager, at 801-297-3600, or toll-free (outside the Salt Lake area) at 1-800-662-4335, and ask to speak with the personal property audit manager in the Property Tax Division.