

2025 Business Personal Property Manual



Preface

The Arizona Department of Revenue (Department or ADOR) administers the property tax system in cooperation with the 15 county assessors, among others. One of the administrative duties of the Department is to prepare and maintain publications reflecting standard and statutory appraisal methods and techniques that are used in the identification, classification, valuation, and assessment of property for ad valorem purposes. The Department regularly updates these publications, consistent with the following three update levels, depending on the perceived need:

Review: Publication conforms to standard style and formatting. Legislative and other citations verified. No changes to content, methodology, policy, or practice.

Revision: Includes applicable Review processes. Publication is newly edited. Nonsubstantive legislative changes incorporated. Addition or deletion of information that does not alter methodology.

Rewrite: Includes applicable Review and Revision processes. Major substantive changes made to any combination of content, methodology, policy, or practice.

This publication is a Revision. It supersedes all previous personal property manuals published by the Department and remains effective until replaced. Additional information may be issued as an addendum to this publication or as a separate publication. Due to the flexibility provided for in statute, deadlines and procedures may vary by county. The Department recommends contacting the county assessor of the county in which a subject property is located for detailed information regarding the deadlines and procedures in that jurisdiction. **The information in this publication is based upon laws and rules in effect at the time of publication. Should any content in this publication conflict with current laws or rules, the latter shall be controlling.**

All comments, inquiries, and suggestions concerning the material in this publication may be submitted to the following:

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This publication can be accessed on the Department website at:

https://azdor.gov/sites/default/files/2023-03/PROPERTY_BusinessPersonalProperty.pdf.

Authority

Authority to produce this publication is found in Arizona Revised Statutes (A.R.S.) [42-11054\(A\) \(1\) and \(2\)](#). Regarding the weight of authority of this publication, see A.R.S. [42-13051\(B\)\(2\)](#).

Exemption and Assessment Ratios

Exemption – A.R.S. [42-11127 \(A\) and \(B\)](#)

2025 Business Personal Property Exemption	\$ 269,905
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Assessment Ratios – A.R.S. [42-15001\(15\)](#), [42-15002\(2\)](#), [42-15004](#), and [42-15006](#)

2025 Assessment Ratio for Property Class One	16%
2025 Assessment Ratio for Property Class Two	15%
2025 Assessment Ratio for Property Class Six	5%

Jurisdiction

The information in this publication is presented only as it applies to locally assessed property (valued by the assessor), not to centrally valued property (valued by the Department). For information regarding the assessment of centrally valued property,

refer to the Department publications entitled [Appraisal Manual For Centrally Valued Natural Resource Property](#), [Centrally Valued Properties](#), and [Valuation of Underlying Leased Land on a Wind Farm](#).

Practical Examples

All practical examples that may appear herein are representative of how the Department would apply a given set of data while adhering to standard or statutory appraisal methods and techniques and to guidelines of the industry and of Arizona. Practical examples may demonstrate the current best practices used to make a necessary determination. Some practical examples may demonstrate the application of a process mandated by statute. See A.R.S. [42-11001\(6\)](#). Other practical examples may demonstrate methods that are adaptable to the particular situations of the various counties. Specific calculations used in the practical examples found herein are for demonstration purposes only.

Publication Formatting and Style

Publications produced by the Department Property Tax Unit generally follow the rules of citation, format, grammar, punctuation, and related matters found in the following three guides: *Style Manual: An Official Guide to the Form and Style of Federal Government Publications*,¹ *The Chicago Manual of Style*,² and *The Bluebook: A Uniform System of Citation*.³

Terminology

In this publication, the term “manufactured housing” is used in a general way to refer to all types of fabricated housing described in Arizona statute, including, among others,

¹ United States Government Publishing Office. [Style Manual: An Official Guide to the Form and Style of Federal Government Publications](#), 31st ed. (Washington, DC: U.S. Government Publishing Office, 2016).

² The University of Chicago. [The Chicago Manual of Style](#), 17th ed. (Chicago: University of Chicago Press, 2017).

³ Editors, Columbia Law Review, et al., comps. [The Bluebook: A Uniform System of Citation](#), 21st ed. (Cambridge: Harvard Law Review Association, 2020).

mobile homes, recreational vehicles, and fabricated housing used for commercial purposes.

Changes in Law

Following are notable changes in Arizona law that became effective since the last version of this publication was prepared by the Department and that may be applicable to the material herein. Although every effort has been made to include all relevant and notable changes in law, this section may not be all inclusive. The Department recommends relying upon your own research and discretion.

Statutory and Constitutional Changes

The table below has been updated through the legislative session identified in the header row.

2024 – Fifty-sixth Legislature – Second Regular Session

House Bill [2408](#): Amended A.R.S. 42-15157

Provided that the assessor may issue a notice of proposed correction for property destroyed after the rolls have closed; addressed classification of destroyed property; defined “destroyed” with respect to property.

Caselaw Changes

There were no changes in Arizona caselaw that were notable and applicable to the material in this publication since the prior version was published.

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Introduction

Arizona law provides authority for the identification, classification, valuation, and assessment of taxable personal property. These duties are administered jointly by the Department and the 15 county assessors. This publication contains information to assist these personnel with the annual valuation and assessment of **locally assessed** business personal property.

Identification of Business Personal Property

Personal Property

Two types of property are commonly recognized: personal property and real property (also known as real estate).⁴ Personal property is defined by exception as all types of tangible and intangible property **not** included in the meaning of the term “real estate.” A.R.S. [42-11001\(10\)](#). Arizona law defines real estate as “the ownership of, claim to, possession of or right of possession to lands or patented mines”, and includes all improvements on or to the land. A.R.S. [42-11001\(13\)](#).

Personal property can be tangible or intangible. Tangible personal property can be seen, weighed, measured, felt, touched, or otherwise perceived by the senses, e.g., appliances, computers, and furniture. See A.R.S. [42-5001\(21\)](#). In contrast, intangible personal property has no physical existence beyond merely representational, and the

⁴ In the Arizona property tax system, use of the terms “real estate” and “real property” may overlap, but outside of the Arizona property tax system, this may not be the case. The following definitions are instructive:

Real Estate — The physical parcel of land and all improvements permanently attached.

Real Property — Consists of the interests, benefits, and rights inherent in the ownership of land plus anything permanently attached to the land or legally defined as immovable; the bundle of rights with which ownership of real estate is endowed. **To the extent that “real estate” commonly includes land and any permanent improvements, the two terms can be understood to have the same meaning.** Also called Realty.

International Association of Assessing Officers (IAAO), *IAAO Glossary for Property Appraisal and Assessment*, 3rd ed. (Kansas City: IAAO, 2021), 105 (emphasis added) [hereinafter, [IAAO Glossary](#)].

property value is found in the rights conveyed, e.g., business goodwill, copyrights, licenses, patents, and stocks or bonds.

Business Personal Property

Business personal property is personal property used in a business for commercial, industrial, residential, and agricultural purposes. It also includes certain improvements on possessory rights and certain leasehold improvements. Business personal property is subject to property taxation, unless it is specifically exempted. Ariz. Const. art. IX, sec. [2](#) and A.R.S. [42-11002](#). Examples of tax exempt personal property include the inventory of a manufacturer, wholesaler, or retailer, as well as livestock, personal household goods, and certain other items. See, e.g., Ariz. Const. art. IX, sec. [2 \(C\) \(3\) and \(4\) and \(E\)\(2\)](#) and [13 \(1\) and \(2\)](#) and A.R.S. [42-11125 to 42-11128](#). Taxes levied on business personal property are a lien against the property and a debt against the property owner. A.R.S. [42-17153](#), [42-19106](#), and [42-19117\(A\)](#).

Business personal property is typically identified by the assessor through the reporting process described below in [Reporting Business Personal Property](#). Once the business personal property is identified, the assessor should confirm or revise the classification of each item of property.

Property Classes and Assessment Ratios

Arizona law establishes several classes and subclasses of property. The property classes are established “for the common treatment of the property in each class for purposes of the assignment of a common assessment percentage....” A.R.S. [42-12010\(A\)](#). Thus, each property class has a corresponding statutory assessment ratio. The classes of property and their corresponding assessment ratios are set forth in A.R.S. [42-12001 to 42-12009](#) and [42-15001 to 42-15009](#), respectively.

Following is an example of the application of an assessment ratio to the full cash value of a property to determine the assessed value of the property:

Full Cash Value		Assessment Ratio		Assessed Value
\$100,000	x	15%	=	\$15,000

The classification of business personal property is based, in most cases, on the current use of the property (classification statutes describe each property class using phrases such as “used for” and “used as”). See A.R.S. [42-12001 to 42-12009](#). Current use is defined as “the use to which property is put at the time of valuation by the assessor or the department.”⁵ A.R.S. [42-11001\(4\)](#). See A.R.S. [42-11054\(C\)\(1\)](#). If identical items of personal property are put to different uses by different owners, each item must be classified according to its particular current use. For example, a tractor used by a farmer is classified as property Class Two, Subclass (P) (a) or (b), according to its agricultural use. See A.R.S. [42-12002\(2\) \(a\) and \(b\)](#). However, an identical tractor used by a contractor would be classified as property Class One, Subclass (13), according to its commercial use. See A.R.S. [42-12001\(13\)](#).

Most locally assessed business and agricultural personal property is identified in property Class One, Subclasses (8), (9), (10), and (13); property Class Two, Subclass (P); and property Class Six, with the exception of Subclass (1). See A.R.S. [42-12001 \(8\) to \(10\) and \(13\)](#),⁶ [42-12002\(2\)](#), and [42-12006 \(2\) to \(8\)](#). The information in this manual is limited to these property classes and subclasses.

The following table lists these commonly used business personal property classes and their corresponding assessment ratios. For information regarding all property classes,

⁵ The cited statutes employ the term “current usage,” rather than “current use.” However, the latter is preferred in this publication, in accordance with the industry standard.

⁶ **Note:** Manufactured housing used for commercial purposes is generally identified in property Class One. Manufactured housing used for residential purposes is generally identified in property Classes Three and Four. For comprehensive information regarding the valuation and assessment of manufactured housing, refer to the Department publication entitled [Manufactured Housing Manual](#).

refer to the Arizona Revised Statutes and the Department publications entitled [Property Class Summary](#) and [Property Classification](#).

Class	Description	Statute	Time Limit	Ratio
1(8)	Shopping Centers	42-12001(8)	None	16 %*
1(9)	Golf Courses (for profit)	42-12001(9)	None	16 %*
1(10)	Manufacturers	42-12001(10)	None	16 %*
1(13)	All Other Commercial	42-12001(13)	None	16 %*
2(P)	Agricultural, Non-Profit, Guest Ranch, Other	42-12002(2)	None	15 %
4(3)	Child Care Facility	42-12004(A)(3)	None	10 %
4(5)	Nursing Care Facility	42-12004(A)(5)	None	10 %
4(10)	Short-term Rental	42-12004(A)(10)	None	10 %
4(11)	Low-income Multifamily Rental	42-12004(A)(11)	None	10 %
4(12)	Qualifying Guest Ranch	42-12004(A)(12)	None	10 %
6(2)	Foreign Trade Zone	42-12006(2)	None	5 %
6(3)	Military Reuse Zone	42-12006(3)	5 Years	5 %
6(4)**	Environmental Technology	42-12006(4)	20 Years	5 %
6(5)	Environmental Remediation	42-12006(5)	None	5 %
6(6)**	Healthy Forest	42-12006(6)	5 Years 2005 to 2024	5 %
6(7)**	Biodiesel Fuel Manufacturing	42-12006(7)	2007 to 2023	5 %
6(8)**	Renewable Energy Equipment Manufacturing or Headquarters Operations	42-12006(8)	Through 2014	5 %
9**	Certain Improvements on Government Property, Property Leased to Non-profit	42-12009	None	1 %

* Assessment ratio will decrease one half percent per year through 2027. A.R.S. [42-15001](#).

** Statutory limitations apply. Contact the Department for a complete [Property Class Summary](#).

Distinguishing Between Real and Personal Property

Property must be identified as either real property or personal property in order to be correctly valued and assessed. Distinguishing between real and personal property ensures that property is taxed only once, either on the real or the personal property tax

roll. See A.R.S. [42-11003](#). This becomes especially important if real and personal property are associated or used together, but separately owned.

The need to make this determination usually arises when an item of personal property has assumed certain attributes of real property. Generally, personal property that has been affixed to real property in such a way that it loses its character as personal property becomes real property for ad valorem tax purposes. See A.R.S. [47-9102\(41\)](#). Arizona law requires consideration of all relevant circumstances to determine whether property is real or personal.⁷ Even so, three primary characteristics are informative, including the manner and extent of the **annexation** of the property to land or improvements, the **use** of the property, and any **intent** that can be inferred regarding both the annexation and use of the property.

Consult the [table](#) in the following section for a list of specific assets typically categorized as real or personal property. If doubt exists, carefully consider the following:

- The method and degree of permanence of attachment of the item.
- The use of the item.
- The physical nature of the item.
- Whether damage would be caused by removal of the item.
- Whether the item would still be usable after removal of the item.
- Whether the item is temporary in nature, movable, or used to augment other personal property.

Annexation

An item of personal property may be considered actually (physically) annexed to real property if the item is attached to, embedded in, or permanently rested upon land or

⁷ [Dept. of Rev. v. Arizona Outdoor Advertisers](#), 202 Ariz. 93, 99–100, 41 P.3d 631, 637–38 (App. 2002) (holding that billboards are personal property).

Thus, the test for whether an item of personalty has become part of the realty would be stated as: Would a reasonable person, after considering all the relevant circumstances, assume that the item in question belongs to and is a part of the real estate on which it is located?

improvements.⁸ If the item is attached by means normally used for permanent installation, or cannot be removed without substantial damage to it and/or to the real property with which it is being used, it may also be considered physically annexed. With respect to annexation, permanent installation means installation for the economic life of the attached property.

Personal property should **not** be considered annexed if it is merely attached to real property with “quick disconnect” attachments, such as simple wiring or conduit. Similarly, property that is attached to a floor or wall to provide stability does not necessarily become annexed to real property.

An item of personal property that is not actually attached to real property, as set forth above, may still be considered constructively (legally) annexed to real property if the item is a necessary, integral, or working part of the real property.⁹ This may be determined by considering whether the item:

- Was designed and/or committed for use with specific real property.
- Is essential, such that the real property cannot perform its desired function without the item.

Use

If the sole purpose of an item of personal property is to augment or support the use of land, a building, or a structure, then it may be considered real property, regardless of how the item is attached. If the item is used only to augment or support a business activity conducted on the premises, then the item may be considered personal property. To assist in making this determination, an assessor might ask, “Does the property support the building or the business?”

⁸ See IAAO, *Property Assessment Valuation*, 3d ed. (Kansas City: IAAO, 2010), 462 [hereinafter, IAAO Property Assessment].

⁹ See *ibid.*

An example of this principle may be seen in two common uses of heating, ventilating, and air conditioning (HVAC) equipment. If HVAC equipment is used to regulate the air quality and temperature of a commercial structure (supports the building), then the HVAC equipment would be considered real property. However, if supplemental HVAC equipment is added to service manufacturing or computer equipment (supports the business), then the HVAC equipment would be considered personal property.

A second example may be seen in the use of vault doors, usually found in buildings occupied by banks and other financial institutions. Vault doors may be assessed as real or personal property, depending on their ownership. If the vault door is owned by the owner of the building in which the vault is located (supports the building), then the vault door would be considered part of the vault, which is real property. If the building is leased, and the vault door is owned by the lessee (supports the business), then the vault door would be considered personal property.

Intent

When deciding whether an item of property is real or personal, intent should be considered in conjunction with, not separately from, annexation and use of the property. This is because intent is more subjective than the other two characteristics, and thus carries the least weight. As an example, the visual appearance of an item may indicate intent that the item is meant to remain indefinitely annexed. The physical size and weight of an item, such that its relocation or removal would be difficult, may also indicate intent that the item is meant to be indefinitely annexed. Examples of factors other than visual appearance or size might include an agreement between parties, a contract between a lessor and a lessee, or the historic use of an item.

Examples of Real and Personal Property

The following table lists items typically categorized as real or personal property. Some types of property (indicated with an asterisk) can be classified as **either** real or personal

property. Special attention is required to ensure that property is listed on only one tax roll, not both. See A.R.S. [42-11003](#).

Examples of Typical Categories of Real and Personal Property		
Description (*asterisk signifies property could be real or personal)	Real Property	Personal Property
Air Conditioning, Built-In	X	
Air Conditioning, Window Unit		X
Air Rights	X	
Awning, Removable		X
Back Bar		X
Blast Furnace	X	
Blinds		X
Boiler, Built-In*	X	
Boiler, Used in Manufacturing Process		X
Booth, Restaurant*		X
Booth, Spray Paint*		X
Bowling Lane		X
Building, Affixed	X	
Cabinet, Built-In*	X	
Cage, Interior for Protection*		X
Canopy, Attached to Building or Free-Standing	X	
Canopy, Over Equipment, Used as Part of Operating Equipment*		X
Carpet, Wall-to-Wall	X	
Ceiling Fan*	X	
Check-Out Stand		X
Chimney Stack	X	
Clean Room*		X
Cold Storage Equipment		X
Compressor*		X
Computer*		X
Concrete, Flat-Work	X	
Control Room	X	
Control Room Equipment		X
Contoured Grounds	X	
Cooler, Storage or Vending, Built-In*	X	
Cooler, Storage or Vending, Prefabricated*		X
Counter, Bank		X
Counter, Restaurant		X
Crane, On Fixed or Portable Ways		X
Crane Rail, Fixed-in-Place	X	
Crane Rail, Portable		X
Dairy Barn Milking Equipment		X

Examples of Typical Categories of Real and Personal Property		
Description (*asterisk signifies property could be real or personal)	Real Property	Personal Property
Dam	X	
Ditch	X	
Dock and Dock Leveler*	X	
Dock, Boat		X
Door (Except Vault Door)	X	
Drinking Fountain, Built-In*	X	
Duct	X	
Electrical Service, Used for Structure	X	
Electrical Service, Used for Manufacturing Equipment*		X
Electrical Transformer*		X
Elevator, Freight or Passenger	X	
Embankment	X	
Escalator	X	
Exhaust System, Built-In*	X	
Fence	X	
Fill Material	X	
Fire Protection, Water Sprinkler System*	X	
Fire Extinguisher*		X
Flag Pole	X	
Floor-covering, Hard Surface	X	
Foundation, Building	X	
Foundation, Equipment Mount		X
Fruit Tree	X	
Furnishing, Built-In*	X	
Graded Ground	X	
Grape Stake	X	
Grape Trellis	X	
Heating, Ventilating, Air Conditioning (For Building Use)*	X	
Hoist		X
Ice Skating Rink		X
Kiln*		X
Kitchen Appliance, Built-In*	X	
Laboratory Equipment*		X
Landscaping	X	
Laundry Machine		X
Leveler, Loading Dock*	X	
Leveled Ground	X	
Lighting Fixture*	X	
Machinery		X
Mail Boxes and Chutes, Built-In*	X	
Minerals	X	

Examples of Typical Categories of Real and Personal Property		
Description (*asterisk signifies property could be real or personal)	Real Property	Personal Property
Mini-Kitchen Combination Range, Oven, Sink, and Refrigerator Units		X
Music System, Attached to Booth or Counter*		X
Nut Tree	X	
Organ, Pipe		X
Oven, Bake*		X
Partition, Permanent (Floor-to-Ceiling)	X	
Partition, Movable or Detachable		X
Piling, For Support of Structure	X	
Piping, Used to Service Building	X	
Piping, Used in Conjunction with Machinery*		X
Plumbing, for Lavatory, Water Faucet, Sink, Drinking Fountain, Sewage Ejector, etc.	X	
Printing Press		X
Public Address System*		X
Pump, Irrigation	X	
Radiator, Steam	X	
Railroad Track, On Owner's Land*	X	
Railroad Track, Not on Owner's Land		X
Refrigerator, Built-In	X	
Restaurant Equipment, Built-In	X	
Restaurant Equipment, Free-Standing		X
Retaining Wall	X	
Road, Unpaved	X	
Road, Paved (Private Land)	X	
Safe, Embedded	X	
Safe Deposit Box Unit		X
Scale, Truck		X
Scale, Other		X
Screen, Indoor Theater		X
Security System*		X
Septic Tank	X	
Sewer System	X	
Shelving, Attached*		X
Shelving, Free-Standing		X
Sink, Built-In*	X	
Sign		X
Skirting, For Manufactured Housing Not Permanently Affixed		X
Sprinkler System, Lawn	X	
Sprinkler System, Fire	X	
Sprinkler System, Agriculture, Field — Surface and Walking		X
Stairs, Railing, Fire Escape, Ladder, Attached	X	

Examples of Typical Categories of Real and Personal Property		
Description (*asterisk signifies property could be real or personal)	Real Property	Personal Property
Stove, Built-In*	X	
Tank, Buried*		X
Tank (Butane, Propane, Water Softener), Unburied, But Remains in Place		X
Teller Cage		X
Tower, Cooling*	X	
Tower, Radio and Television*		X
Vault Door*		X
Vault*	X	
Vines, Agricultural	X	
Walk-in Cooler and Freezer*		X
Walls and Partitions, Movable and Detachable*		X
Water Rights	X	
Water Recovery System, Industrial*		X
Well, Oil and Water	X	
Well Equipment*		X
Wet Bar, Built-In	X	

Discovery of Business Personal Property

The taxpayer is required to report taxable personal property to the county assessor. A.R.S. [42-15053\(A\)](#). This report, called a business property statement, is the primary method used to discover business personal property. However, the assessor may also use other methods to discover business personal property. For example, the assessor may demand a report of property from a person, firm, corporation, or association that owns, claims, controls, or possesses personal property in the county. A.R.S. [42-15052\(1\)](#). The assessor may also conduct investigations to ensure that all personal property subject to taxation in the county is properly included on the tax roll. A.R.S. [42-15054 \(B\) and \(C\)](#). As part of such investigations, the assessor may request information; examine books, invoices, maps, and papers; and summon witnesses. A.R.S. [42-15052 \(2\) to \(4\)](#).

Other widely used methods of discovery include building permits, canvassing, certificates of occupancy, chamber of commerce membership lists, new business announcements, newspaper advertisements, transaction privilege tax license lists, and telephone directories.

If a taxpayer fails to provide an adequate report of business personal property, the assessor should fill out a business property statement on behalf of the taxpayer based on the best information available. A.R.S. [42-15054\(A\)](#). See A.R.S. [42-15053\(E\)](#).

Reporting Business Personal Property

Overview

Personal property in Arizona is subject to taxation unless specifically exempted. Ariz. Const. art. IX, sec. [2](#) and A.R.S. [42-11002](#). Each taxpayer that owns or has charge or control of taxable business personal property must annually file a correct report, or statement, of the property. A.R.S. [42-15053\(A\)](#). The business property statement must be filed with the assessor of the county in which the property is located on or before April 1 each year. A.R.S. [42-15053\(A\)\(1\)](#). Even so, upon written request and for good cause, the assessor may extend the due date for filing the statement by up to 30 days. A.R.S. [42-15053\(A\)\(1\)](#). The statement must be filed under oath or affirmation by the person making the report. A.R.S. [42-15052\(1\)](#).

All taxable personal property in possession of the taxpayer as of December 31 of the prior year must be reported. Taxpayers are not required to report new property until the year it is placed into service. See A.R.S. [42-13354\(A\)](#) and [42-15065\(A\)](#). However, proration is not allowed for property entering the tax rolls for the first time.

Failure by the taxpayer to timely return a business property statement will result in the addition of penalties, which the assessor may abate if the statement is returned within 30 days of the due date. A.R.S. [42-15055 \(C\) and \(D\)](#). A person who **knowingly** fails to file any report of taxable property or fails or refuses to provide required information or

material to the assessor is guilty of a class two misdemeanor. A.R.S. [42-15055 \(A\) and \(B\)](#).

Business property statements are not open to public inspection, but may be used as evidence in any prosecution brought under A.R.S. [42-15055](#). A.R.S. [42-15053\(G\)\(1\)](#). In addition, all business property statements filed with the assessor may be subject to audit, and all taxable personal property found to have been unreported or to have escaped taxation will be subject to penalty. A.R.S. [42-15053\(G\)\(2\)](#) and [42-15055 \(C\) to \(E\)](#).

Reporting Exception for Exempt Business Personal Property

Pursuant to A.R.S. [42-15053 \(B\) and \(D\)](#), the assessor shall not require a report of certain personal property that is exempt from property taxation under the Arizona Constitution. See Ariz. Const. art. IX, secs. [2\(E\)\(2\)](#) and [13\(2\)](#) and A.R.S. [42-11126](#) and [42-11127](#). In addition, the assessor may not require an application to qualify for the reporting exception. A.R.S. [42-15053\(B\)](#). The reporting exception includes the following:

- Livestock, poultry, aquatic animals, and honeybees owned by a person who is principally engaged in agricultural production.
- Business personal property in property Class One, Subclasses (8) to (11) or (13) that is used in a trade or business and the value of which does not exceed the current year maximum [exemption amount](#) of full cash value for each taxpayer.
- Agricultural personal property in property Class Two, Subclass (P) that is used for agricultural purposes and the value of which does not exceed the current year maximum [exemption amount](#) of full cash value for each taxpayer.

Reporting Forms

Forms and instructions for reporting business personal property and agricultural business property are available from the assessor of the county in which the property is located. The following descriptions refer to each section of the sample business

property statements found in the [Appendix: Sample Forms](#). The first section of each form is for entry of new or updated taxpayer identification information. The second section lists personal property reported by the taxpayer for the previous year, if applicable. The third section is for entry of additions to and deletions from a previously reported statement, as well as leasehold improvements.

Information required for each item of personal property listed on the statement includes a description of the property, its acquisition year, and its total acquisition cost. This information enables the county assessor to apply the appropriate valuation factors needed to calculate the current full cash value of the personal property. If space on the form is insufficient to list all taxable personal property, the taxpayer may attach supplemental documentation as necessary.

Additional property that also must be reported in the supplemental documentation includes taxable animals, leased or rented property, unowned property (e.g., vending machines), and certain improvements on possessory rights (see business property statement form instructions for details).

Assessor personnel should cross reference all reported leased equipment with applicable leasing company accounts to ensure no escaped property exists. In addition, valuation notices (and tax bills) should be sent to the leasing company, as it retains ownership of the leased property.

Reporting Summary

Key points that apply to reporting both agricultural and business personal property follow:

1. A tax lien against personal property attaches on January 1 of the tax year. A.R.S. [42-17153 \(A\) and \(C\)\(1\)](#).

2. On or before February 1, the county assessor shall mail a form, notice, or demand requesting a correct statement of taxable personal property. A.R.S. [42-15053\(A\)](#).
3. On or before April 1, the taxpayer must annually provide a business property statement to the county assessor. A.R.S. [42-15053\(A\)](#).
4. The business property statement must be completed as required and signed under oath or affirmation (A.R.S. [42-15052\(1\)](#)) by the taxpayer or the authorized agent of the taxpayer (A.R.S. [42-16001](#)).
5. All taxable personal property, including fully depreciated property, under control of the taxpayer as of December 31 of the prior year must be reported, unless otherwise specified. See A.R.S. [42-11002](#) and [42-17153 \(A\) and \(C\)\(1\)](#).
6. The assessor cannot require a report of certain personal property that is exempt from property taxation under the Arizona Constitution. See Ariz. Const. art. IX, secs. [2\(E\)\(2\)](#) and [13\(2\)](#) and A.R.S. [42-11126](#) and [42-11127](#).
7. Information required for the business property statement includes a description of each item of property, its acquisition year, and its total acquisition cost. See [Appendix: Sample Forms](#).
8. If applicable, the business property statement must include supplemental documentation that contains a listing of, among other things, all leased or rented property. See [Appendix: Sample Forms](#).
9. Failure by the taxpayer to timely return the business property statement shall result in the addition of “a penalty of an additional ten per cent to the [full cash] value of the property for the tax year.” A.R.S. [42-15055 \(C\) and \(D\)](#).
10. The county assessor may extend the time for filing a business property statement for up to 30 days (A.R.S. [42-15053\(A\)](#)), and may abate all or part of the penalty if an untimely statement is filed no later than 30 days after the due date (A.R.S. [42-15055\(D\)](#)).

11. A person who **knowingly** fails to file any report of taxable property, or fails or refuses to provide required information or material, is guilty of a class two misdemeanor. A.R.S. [42-15055 \(A\) and \(B\)](#).
12. Business property statements are not open to public inspection, but may be used as evidence in any prosecution brought under A.R.S. [42-15055](#), including for failing to report taxable property or providing false or fraudulent information. A.R.S. [42-15053\(G\)\(1\)](#).
13. Business property statements may be subject to audit. A.R.S. [42-15053\(G\)\(2\)](#).
14. An assessment of personal property can be made even though no request or demand for a statement was made by the county assessor or received by the taxpayer. A.R.S. [42-15053\(E\)](#).

Processing Returns by County Assessor

Upon receipt of the completed business property statement, the county assessor will process the information and prepare it for entry on the tax roll, as follows.

Existing Account

For an existing account, the county assessor should complete the following procedures:

1. Determine whether the business property statement was timely received. Late returns are subject to a 10 percent penalty. A.R.S. [42-15055 \(C\) and \(D\)](#). The assessor may abate all or part of the penalty if the statement is filed within 30 days after the due date. A.R.S. [42-15055\(D\)](#).
2. Review the statement for changes in the address or other identification information.
3. Review the statement and any attachments for additions or deletions of personal property or for other new information, including items acquired in prior years that are being reported for the first time.
4. Determine whether any property has escaped taxation and should be valued and assessed for prior years.

5. Ensure the taxpayer or agent signed and dated the statement as a declaration it is true and complete.

New Account

For a new account, the county assessor should complete the following procedures:

1. Assign a taxpayer account number.
2. Assign a parcel number, if necessary, to aid in the location of the business personal property.
3. If a late filing penalty is required, mark the "10% Penalty" box on the statement.
4. Check the name, address, and location data for accuracy. This information is used to establish the mailing address of the taxpayer in the database.
5. Ensure the statement is complete and provides enough detail to select the proper valuation tables and economic lives.
6. Ensure the taxpayer or agent signed and dated the statement as a declaration it is true and complete.

Valuation of Business Personal Property

Introduction

Locally assessed business personal property, not including most manufactured housing, is valued and assessed based on full cash value. A.R.S. [42-12001 \(2\), \(8\), \(9\), \(10\), \(13\)](#); [42-12002\(2\)](#); and [42-12006 \(2\) to \(8\)](#). Unless otherwise prescribed by statute, full cash value is synonymous with market value, which is an estimate of value derived annually by using standard appraisal methods and techniques. A.R.S. [42-11001\(6\)](#). The full cash value of personal property cannot be greater than its market value, regardless of the method used to determine its value. A.R.S. [42-11001\(6\)](#) and [42-13054\(A\)](#).

It is important to note that the valuation year and the tax year are the same calendar year for locally assessed business personal property (as opposed to real property, which is valued and taxed over a two-year cycle). A.R.S. [42-11001 \(17\) and \(20\)](#).

Though the same tax rate is applied to both personal and real property, certain components of the tax rate will not apply to personal property, such as flood control assessments. For motor vehicles, a vehicle license tax is assessed in lieu of a property tax. Most manufactured housing is assessed as personal property. For comprehensive information regarding the valuation and assessment of manufactured housing, refer to the Department publication entitled [Manufactured Housing Manual](#).

Cost Approach

Of the three approaches to value (cost, sales comparison, and income), the cost approach is most commonly used in the valuation of business personal property. This approach estimates market value by reducing the replacement cost new (RCN) of personal property by any loss in value that has occurred through all forms of depreciation, which yields the replacement cost new less depreciation (RCNLD).¹⁰ See [Depreciation](#) below. For most types of business personal property, the RCN is determined by applying a market trending factor to the total acquisition cost of the property. See [Trending for Price Change](#) below. The market trending factor is derived by relating current trends of personal property costs to total acquisition costs. The resulting RCN is then depreciated to reflect the current age of the personal property, yielding the market value estimate known as RCNLD.

In estimating the RCN of business personal property, the level of trade at which the property is found may not be determinative. Three distinct levels of trade are generally recognized: manufacturing, wholesale, and retail.¹¹ Business personal property in Arizona should be valued at the retail level of trade, regardless of the level of trade at which the property is found. This is because in most cases, the retail level of trade represents the most probable price found in the market, i.e., the market value.¹² See A.R.S. [42-11001\(6\)](#).

¹⁰ IAAO Property Assessment, *supra* note 8, at 479-80.

¹¹ *Ibid.* at 475-76.

¹² See [IAAO Glossary](#), *supra* note 4, at 73, s.v. "Market Value."

For example, if a manufacturer leases an item directly to a consumer, the correct value of the leased item is its retail sales price, not the manufacturer's cost to produce the item. Alternatively, the value could be equal to the total of all lease payments. Furthermore, even though liquidation sales often represent the only active resale market for many types of business personal property, prices paid at such sales are not adequate indicators of market value. The value of an item of business personal property should be equal to its retail replacement cost minus the appropriate depreciation, rather than the price for which it could be sold at a liquidation sale.

Acquisition Cost

The starting point in the valuation of most business personal property is determining its total acquisition cost, which includes the acquisition cost of the property plus any related expenses, such as the cost of transporting the property to its present site, the cost of installing the property, and the cost of any transaction privilege tax or use tax paid on the property.¹³ Examples of installation costs may include costs for electrical, plumbing, or related work necessary to make the personal property functional. In addition, if any structural support or foundation is required for the installation of a specific item of personal property, the cost of such structures should be reported as part of the total acquisition cost.

Alternatively, costs for special foundations, plumbing, wiring, or related items incorporated into the structures of real property **in anticipation** of installing personal property should be included in the value of the real property. In such a case, when the personal property is subsequently installed, no adjustment would be required for those costs already included in the value of the real property.

¹³ See [IAAO Glossary](#), *supra* note 4, at 4, s.v. "Acquisition Cost."

Any difference between the total acquisition cost of personal property as recorded in the taxpayer's books and records and the total acquisition cost reported to the county assessor may be subject to taxation as escaped property. A.R.S. [42-15055](#).

Trending for Price Change

Trending for price change (trending) is the process used to account for market fluctuation of total acquisition cost over the expected life of an asset. Trending is accomplished by applying a market trending factor to the total acquisition cost of an item to convert the historic cost into today's dollars, yielding a current RCN. This process is applied to most items of business personal property to reflect changes in the current RCN of those items. Changes in the total acquisition cost for items of personal property are measured from the year of acquisition to the current year. The cost data required for trending is provided in various building cost indexes. These indexes are used by the Department to prepare the valuation tables and trending factors provided in the Department publication entitled *Personal Property Valuation Tables and Index* ([Valuation Tables and Index](#)).

As an example of trending, consider machine shop equipment originally acquired four years ago for \$10,000. Assume the cost index multiplier is 1.146 for four-year-old equipment. When applied to the acquisition cost, the same property would cost \$11,460 today: $\$10,000 \times 1.146$ yields a current RCN of \$11,460.

Life Years

Each category of business personal property is associated with an expected economic life. The expected economic life is the number of years, or life years, that personal property in each category is typically retained for use under normal maintenance. Recommended life years are included in the [Valuation Tables and Index](#) and have been established, for the most part, by the Internal Revenue Service or through special studies.

The recommended life years in the [Valuation Tables and Index](#) are generally applicable to business personal property in an industry grouping as a whole. However, there may be occasions when special studies, called *lifying studies*, are conducted for property types that are found in limited segments of an industry to support either longer or shorter lives for those property types. There are two common types of *lifying studies* used in ad valorem property tax programs. An **industry group study** pertains to unique equipment types used across a particular industry, such as 3D printers. An **asset specific study** pertains to certain asset types found in a variety of industries, such as phone or computer systems. *Lifying studies* should be considered for use in personal property valuation if they assist to more accurately reflect an industry-wide application of a longer or shorter life for a particular type of property.

A business or industry may request that a *lifying study* be conducted by the Personal Property Unit of the Department. The request should be accompanied by fixed asset listings from a variety of relevant companies for the most current seven years. The asset listings should include the following data:

Acquisition date	Equipment location code
Acquisition cost	Equipment make
Asset description	Equipment serial number
Asset number	General ledger account number
Configuration	Model number
Discount price new	Sale price and date sold to end user

Additional information that may be submitted with a request for a *lifying study* could include maintenance records and/or business property statements filed in other jurisdictions for similar time frames. Findings of the Department are dependent upon the availability of acceptable market data. The responsibility of submitting verifiable data rests solely with the entity requesting the *lifying study*. Any data submitted must be sufficient enough to be considered statistically representative of the industry.

The recommended life years found in the [Valuation Tables and Index](#) may not apply in situations where there has been excessive use of equipment. See [Adjustments for Excessive Depreciation](#) below for a discussion of valuation adjustments based on atypical uses of equipment.

Depreciation

Depreciation is defined as the loss in value of property attributable to any cause. Depreciation is generally categorized into three types: physical deterioration¹⁴ (long-term decline in value caused by normal wear and tear), functional obsolescence (loss in value due to changes in style, taste, technology, demand, etc.), and economic obsolescence¹⁵ (loss in value caused by factors outside the property, such as economic downturn or changes to industry or zoning regulations). Functional or economic obsolescence can affect a single item or an entire class of personal property, such as when current technology becomes outdated by new technology or when changes in supply and demand, interest rates, or even legislation contributes to depreciation.

For purposes of valuation, business personal property is depreciated over its expected economic life. A common way of expressing the depreciation applicable to an item of property is by using percentages to represent both its diminished value and accrued depreciation. Thus, the estimated value of the item can be expressed as a percentage of its replacement cost after all forms of depreciation have been accounted for, i.e., “percent good,” and the accrued depreciation of the item can be expressed as 100 percent minus the percent good. For example, an item of personal property may be regarded as 60 percent good, or as having incurred 40 percent depreciation.

¹⁴ Often called physical depreciation.

¹⁵ Often called external obsolescence. See [IAAO Glossary](#), *supra* note 4, at 43, s.v. “External Obsolescence.”

Valuation Factors

The valuation factors provided in the [Valuation Tables and Index](#) simplify the calculation of the RCNLD for business personal property. Without the valuation factors, calculating RCNLD is a two-step process. The first step derives the current RCN by trending the acquisition cost of the personal property to the current tax year. The second step yields the current RCNLD by depreciating the RCN to adjust for the age of the property. By combining the trending factor and the depreciation factor into a single composite factor, calculation of the RCNLD is reduced to a single computation.

For example, assume a three-year-old item of property with an eight-year life has appreciated by eight percent since acquisition. The current RCN would therefore be 108 percent of the acquisition cost. Also assume the item is 75 percent good. The item would have a current RCNLD of 81 percent of the acquisition cost ($108\% \times 75\% = 81\%$).

The resulting current RCNLD valuation factor of .81 (81%) thus includes both appreciation and depreciation components.

Acquisition Cost		= \$ 1,000
Current RCN	$\$ 1,000 \times 108\%$	= \$ 1,080
Current RCNLD	$\\$ 1,080 \times 75\%$	= \$ 810
RCNLD Valuation Factor (as percentage of acquisition cost)	$\$ 810 / \$ 1,000$	= 81%

Minimum Value

The tables in the [Valuation Tables and Index](#) list minimum valuation factors. A minimum valuation factor is applied if business personal property is still in use **after** the number of expected life years has passed. In contrast to the federal tax system, which allows for full depreciation of assets, under the property tax system, personal property still in use maintains a minimum value, never reaching zero until it is scrapped or discarded. This is an example of the concept of “value in use.” For qualifying business personal property

in property Class One, Subclasses (8), (9), (10), and (13), and in property Class Two, Subclass (P), the minimum value of taxable property still in use is 2.5 percent good. A.R.S. [42-13055 \(A\) and \(B\)](#). See also A.R.S. [42-13054\(C\)\(2\)](#) and [42-13353\(D\)](#).

When business personal property is no longer usable, or is being dismantled for spare parts, the assessor should determine its value based on the best available information. When an item of personal property is disposed of, it should be reported as a deletion on the business property statement. If disposed of, but not deleted, an item of business personal property becomes what is called a “ghost asset.”

Adjustments for Excessive Depreciation

The routine use of business personal property for its intended purpose creates loss in value. The personal property valuation system recognizes typical physical depreciation and conditions of obsolescence over the expected economic life of personal property. However, county assessors may need to consider valuation adjustments to account for **excessive** depreciation under extraordinary conditions of deterioration or obsolescence. Thus, if the actual depreciation of an item of business personal property has been greater (or less) than normal, the valuation factor used to calculate the current RCNLD may be modified.

Even so, before the value of business personal property may be adjusted for excessive physical depreciation, or for functional or economic obsolescence, the taxpayer must prove to the assessor that the property has incurred an excessive loss in value. The fact that a faster machine exists, or that external forces have affected a facility or its market, does not necessarily mean that the value of the personal property itself has been negatively impacted.

For example, excessive physical depreciation may apply to an item of business personal property that is used for two shifts, seven days per week, when typical use of that item is for one shift, five days per week. If actual use exceeds what is typical for an

item, an adjustment for excessive loss in value may be required. A valuation adjustment for excessive physical depreciation may also apply to a storage tank used to hold a chemical that is more corrosive than average. Use of the tank in this manner would reduce its expected economic life. Under this circumstance, it may be appropriate for the assessor to adjust the value of the tank to recognize the increased rate of depreciation.

Excessive functional obsolescence may also be a consideration when rapid technological changes affect the rate at which conditions of obsolescence apply. Certain types of business personal property, especially in the electronics and computer industries, may be affected almost immediately by obsolescence due to rapid technological advancements.

For example, assume a business computer system is acquired with the expectation of producing complex word processing formats, spreadsheets, and high-speed mathematical data processing. After the computer is put into use, the owners discover that the production requirements of the job exceed the capabilities of the computer. Expensive upgrades would improve the ability of the computer to perform at the required level; however, the cost to cure the problem is approximately the same as the cost of a new and more technologically advanced machine. In this instance, the computer cannot adequately perform the required task and is adversely affected by conditions of excessive functional obsolescence.

Excessive economic obsolescence, on the other hand, may apply to forms or jigs that are used to manufacture a specific product, but which do not have an alternative use. When that product is no longer in demand or being manufactured, the valuation of the machinery may be adjusted for excessive economic obsolescence. An example of this may be seen in machinery used to manufacture buggy whips. While a few users of buggy whips still exist, such as the drivers of horse-drawn carriages in New York's Central Park, the demand for buggy whips has been reduced to almost nothing over

time, and so the equipment used to produce them has lost most of its value. As another example, consider equipment used to produce recordable compact discs (CDs). Once widely used as a means to deliver software or provide data storage, cloud computing has eliminated most of the demand for CDs, and thus the equipment used to produce them has lost most of its value. As demand for a product decreases, the equipment used to produce the product becomes less valuable.

To illustrate an adjustment for excessive depreciation, assume that a new item of business personal property was purchased last year for \$10,000, and has an expected economic life of 10 years. Due to heavy use, the item now has an eight-year economic life. The assessor should identify the \$10,000 total acquisition cost and the year of purchase, and then may adjust the expected life from 10 years to 8 years. Future calculations of the RCNLD should reflect this shorter life (i.e., faster depreciation). In summary, the county assessor may adjust for substantiated conditions of excessive depreciation. These adjustments should be fully documented in assessor records.

Additional Statutory Depreciation

In 1995, the Arizona Legislature mandated the adoption of additional statutory depreciation (additional depreciation) schedules that provided significant reductions in the value and associated tax liability of specific classes of business personal property. This was done to encourage capital investment in new businesses and in new equipment for existing businesses.

Additional depreciation, sometimes incorrectly referred to as “accelerated depreciation,” applies **only** to eligible business personal property in the following classes:

Class One, Subclasses (8), (9), (10), and (13)

Class Two, Subclass (P) (a), (b), (c), (d), and (e)

Class Six, Subclasses (2) and (3)

A.R.S. [42-13054](#) and [42-13353](#).

Additional depreciation is applied to eligible personal property according to two different methods, depending on when the property was initially classified in Arizona.¹⁶

Incremental Application: 2021 and Preceding Years

For property Classes One and Two, additional depreciation applies incrementally to eligible personal property that was initially classified in Arizona during or after 2012 through 2021. A.R.S. [42-13054\(B\)\(3\)](#) and [42-13353\(C\)](#). For property Class Six, additional depreciation applies incrementally to eligible personal property acquired during or after 2017 through 2021 and initially classified in Arizona during or after 2018 through 2021. A.R.S. [42-13054\(B\)\(3\)](#) and [42-13353\(C\)](#).

Incremental additional depreciation is applied to the full cash value of eligible personal property over the first five years of the property's use. A.R.S. [42-13054\(B\)\(3\) \(a\) to \(e\)](#) and [42-13353\(C\) \(1\) to \(5\)](#). Beginning in the sixth year, and continuing through subsequent years, the eligible personal property is depreciated as prescribed in the standard depreciation schedules prepared by the Department. A.R.S. [42-13054\(B\)\(3\)\(f\)](#) and [42-13353\(C\)\(6\)](#). See the following valuation schedule:

Year of Assessment	Percent of Scheduled Depreciated Value
First	25 %
Second	41 %
Third	57 %
Fourth	73 %
Fifth	89 %
Sixth	100 %

¹⁶ The statutes that prescribe additional depreciation set forth specific timeframes for its application and assert that such application depends on when the eligible personal property is "initially classified" in Arizona. However, confusion can arise because personal property may be acquired, reported, classified, and assessed during different calendar years, and certain circumstances can affect the specific year of initial classification (e.g., personal property acquired out of state and later brought to Arizona, personal property acquired but not immediately placed into service, escaped personal property, etc.). Therefore, care must be taken to ensure the proper and timely application of additional depreciation.

Nominal Value Application: 2022 and Subsequent Years

For all eligible personal property in Classes One, Two, and Six¹⁷ that was initially classified in Arizona during or after 2022, additional depreciation is not applied incrementally. Instead, a valuation factor of 2.5 percent is immediately and indefinitely applied to such property. A.R.S. [42-13054\(B\)\(4\)](#).

Minimum Value Limitation

Additional depreciation will not reduce the valuation of eligible business personal property below the minimum value prescribed by the Department for property in use. A.R.S. [42-13054\(C\)\(2\)](#) and [42-13353\(D\)](#). See [Minimum Value](#) above.

Illustration of Incremental Additional Depreciation

Regarding the application of incremental additional depreciation to eligible business personal property acquired during or before 2021, consider the following examples:

- New equipment initially classified in Arizona for the first time.
- Used equipment purchased out of state and initially classified in Arizona for the first time.

Eligible business personal property that is purchased, classified, assessed, and taxed in one Arizona county and subsequently moved to another Arizona county does not qualify for a new round of incremental additional depreciation. In this scenario, if the property was eligible for incremental additional depreciation when it moved, it will remain eligible until the five years expire. As an example, consider eligible personal property purchased and reported for seven years by a business located in Mohave County, then sold and relocated to a business in Yavapai County. The property **does not qualify** for incremental additional depreciation in Yavapai County, because it received the full benefit while in Mohave County. However, if the equipment was sold and moved after only two years, it **would qualify** to receive the remaining three years of incremental

¹⁷ Business personal property subject to a statutory valuation methodology is **not** eligible for additional statutory depreciation, e.g., photovoltaic property (A.R.S. [42-13056](#)).

additional depreciation in Yavapai County. Note, however, the latter situation would require that the new owner can establish the acquisition cost of the equipment and the date it was first placed into service, e.g., by reference to the books and records of the original owner.

Valuation Tables Structure

The [Valuation Tables and Index](#) published by the Department contain valuation factors for the calculation of **both** standard and additional depreciation. **Nonshaded rows in the tables contain standard valuation factors** that are used to calculate the full cash value of an asset. **Shaded rows contain additional depreciation factors** that should only be applied to eligible personal property.

Comprehensive Valuation Examples

The three examples below illustrate the proper use of the information in the [Valuation Tables and Index](#), and include samples of the valuation tables index, valuation tables, and valuation factors.

The sample valuation tables and the corresponding valuation factors created for each example are presented **only for illustration purposes**. To better understand these examples, refer to the [Valuation Tables and Index](#) and compare the tables therein to the sample valuation tables provided with each example. For all examples, **assume the current year is 2023**.

Example A

Two-year-old personal computer equipment, acquired for \$28,456, has a current RCNLD of \$3,500. The assessor classified this property as Class One, Subclass (13). Use the General Property Index in the [Valuation Tables and Index](#) and Sample Valuation Table 5, provided below.

STEP 1: In the General Property Index, locate the category for “COMPUTERS and COMPUTER EQUIPMENT” and the subcategory for “Computer Operating Software and Related Peripheral Equipment.” According to the index, this subcategory is valued using Valuation Table 5 and has a four-year economic life.

STEP 2: Refer to Sample Valuation Table 5, below. In the “Age” column, locate the shaded row for two-year-old property, then find where that row intersects the column for Class One property with a “4 Year Life” to identify the applicable valuation factor of 12.3 percent (highlighted in green below). The additional depreciation factor (shaded row) applies because the equipment age places it within its first five years of valuation in Arizona.

STEP 3: Multiply the \$28,456 acquisition cost by the 12.3 percent valuation factor to calculate the RCNLD of \$3,500 ($\$28,456 \times 0.123 = \$3,500$).

Sample Valuation Table 5

Valuation Factors (Percent Good)					
Year Acquired	Age	LIFE YEARS			
		2 Year Life		4 Year Life	
		*Classes 1 & 2	All Other Classes	*Classes 1 & 2	All Other Classes
2022	1	30	30	50	50
*2022	1	2.5		2.5	
2021	2	15	15	30	30
*2021	2	2.5		12.3	
2020	3			20	20
*2020	3			11.4	
2019	4			2.5	10
*2019	4			2.5	
2018	5				
*2018	5				

Example B

Five-year-old medical equipment, acquired for \$40,000, has a current RCNLD of \$24,560. The assessor classified this property as Class One, Subclass (13). Use the General Property Index in the [Valuation Tables and Index](#) and Sample Valuation Table 1, provided below.

STEP 1: In the General Property Index, locate the category for “MEDICAL” and the subcategory for “All other medical...equipment.” According to the index, this subcategory is valued using Valuation Table 1 and has a 10-year economic life.

STEP 2: Refer to Sample Valuation Table 1, below. In the “Age” column, locate the shaded row for five-year-old property, then find where that row intersects the column for Class One property with a “10 Year Life” to identify the applicable valuation factor of 61.4 percent (highlighted in green below). The additional depreciation factor (shaded row) applies because the equipment age places it within its first five years of valuation in Arizona.

STEP 3: Multiply the \$40,000 acquisition cost by the 61.4 percent valuation factor to calculate the RCNLD of \$24,560 ($\$40,000 \times 0.614 = \$24,560$).

SAMPLE VALUATION TABLE 1

Valuation Factors (Percent Good)					
Year Acquired	Age	LIFE YEARS			
		8 Year Life		10 Year Life	
		*Classes 1 & 2	All Other Classes	*Classes 1 & 2	All Other Classes
2022	1	88	88	90	90
*2022	1	2.5		2.5	
2021	2	88	88	94	94
*2021	2	36.1		38.5	
2020	3	80	80	90	90
*2020	3	45.6		51.3	
2019	4	67	67	80	80
*2019	4	48.9		58.4	
2018	5	52	52	69	69
*2018	5	46.3		61.4	
2017	6	35	35	56	56
2016	7	17	20	42	42
2015	8	2.5		28	28
2014	9			14	20
2013	10			2.5	

Example C

Six-year-old food vending equipment, acquired for \$18,500, has a current RCNLD of \$462.50. The assessor classified this property as Class One, Subclass (13). Use the General Property Index in the [Valuation Tables and Index](#) and Sample Valuation Table 1, provided below.

STEP 1: In the General Property Index, locate the category for “VENDING EQUIPMENT” and the subcategory for “Food vendors.” According to the index, this subcategory is valued using Valuation Table 1 and has a five-year economic life.

STEP 2: Refer to Sample Valuation Table 1, below. In the “Age” column, locate the row for six-year-old property, then find where that row intersects the column for Class One property with a “5 Year Life” to identify the applicable valuation factor (blank cell highlighted in green below). This example illustrates personal property that is still in use after its expected life has passed. Therefore, valuation of six-year-old food vending equipment is based on a minimum valuation factor of 2.5 percent until it is scrapped or discarded.

STEP 3: Multiply the \$18,500 acquisition cost by the 2.5 percent minimum valuation factor to calculate the RCNLD of \$462.50 ($\$18,500 \times 0.025 = \462.50).

SAMPLE VALUATION TABLE 1

Valuation Factors (Percent Good)							
Year Acquired	Age	LIFE YEARS					
		5 Year Life		6 Year Life		7 Year Life	
		*Classes 1 & 2	All Other Classes	*Classes 1 & 2	All Other Classes	*Classes 1 & 2	All Other Classes
2022	1	80	80	83	83	86	86
*2022	1	2.5		2.5		2.5	
2021	2	70	70	78	78	84	84
*2021	2	28.7		32.0		34.4	
2020	3	51	51	64	64	73	73
*2020	3	29.1		36.5		41.6	
2019	4	27	27	44	44	57	57
*2019	4	19.7		32.1		41.6	
2018	5	2.5	20	23	20	39	39
*2018	5	2.5		20.5		34.7	
2017	6			2.5		20	20
2016	7						

Determining Assessed Value***Constitutional Exemption***

The Arizona Constitution provides authority to the legislature to exempt certain business personal property used for agricultural and commercial purposes.¹⁸ Ariz. Const. art. IX, sec. [2\(E\)\(2\)](#). The exemption is codified in A.R.S. [42-11127](#), which provides a property tax exemption for business personal property in Class One, Subclasses (8), (9), (10), (11), and (13); and Class Two, Subclass (P) (a) and (b).

¹⁸ Residential rental property is not eligible for this exemption. A.R.S. [42-11127\(A\)](#). See A.R.S. [42-12004](#).

The exemption is applied against the full cash value of qualifying business personal property for each taxpayer up to a maximum amount that increases annually.¹⁹ The original maximum exemption amount was \$50,000. On or before December 31 each year, the Department is required to annually adjust the maximum amount of the exemption for the following tax year to account for inflation. A.R.S. [42-11127\(B\)](#). The inflation adjustment is based on the total biennial change in the U.S. Bureau of Labor Statistics Employment Cost Index for the two most recent complete state fiscal years.

The table below sets forth recent historical amounts of the business personal property exemption:

Tax Year	Exemption Amount
2021	\$ 195,878
2022	\$ 207,366
2023	\$ 225,572
2024	\$ 248,691
2025	\$ 269,905

Pursuant to legislation passed in 2019, the assessor cannot require a report of the business personal property subject to this constitutional exemption, or of livestock owned by a person who is principally engaged in agricultural production. A.R.S. [42-15053 \(B\) and \(D\) \(1\) and \(2\)](#).

Assessment Ratio

The assessment process for business personal property includes an assessed value calculation, which is derived by multiplying the full cash value by the assessment ratio

¹⁹ With respect to this exemption, “taxpayer” means the owner of the subject property who pays taxes, rather than a property location or assessment account. Thus, a business entity that operates multiple locations is entitled to only one statewide exemption, rather than an exemption for each location. See [Circle K Stores, Inc. v. Apache County](#), 199 Ariz. 402, 407-08, 18 P.3d 713, 718-19 (App. 2001).

Note: The Federal Employer Identification Number (FEIN) assigned to each business entity is analogous to the Social Security Number assigned to individuals, and carries similar privacy considerations.

for the specific class of property. Assessment ratios are defined by statute and are associated with groups of property classes. Descriptions of the property classifications established for property tax purposes and the types of properties included in each property class are provided in A.R.S. [42-12001 to 42-12009](#). The assessment ratios that are assigned to each property classification are outlined in A.R.S. [42-15001 to 42-15009](#). See the [table](#) above for further information.

Special Properties

Certain types of business personal property are subject to unique valuation or assessment procedures due to the nature of the property or to legislative adoption of special procedures. This section contains information pertaining to personal property in these categories.

Aircraft

Aircraft operating in Arizona, including balloons and gliders, must be registered with the Arizona Department of Transportation (ADOT), Aeronautics Division, and are subject to a license tax administered by that agency. A.R.S. [28-8322](#) and [28-8335](#). The license tax is collected in lieu of property tax on such aircraft. The license tax does not apply to aircraft operated by an airline company for the primary purpose of carrying persons or property for hire in interstate, intrastate, or international transportation. A.R.S. [28-8322\(D\)\(1\)](#). Those aircraft are valued by the Centrally Valued Property Unit of the Department, pursuant to A.R.S. [42-14252](#). Business personal property other than the aircraft of airline companies, such as ground support equipment, office and ticket counter equipment, and furniture, is subject to valuation by the assessor of the county in which the property is located. Unmanned aerial vehicle (drone) equipment that is used commercially must be registered with the FAA and is locally assessed.

Animals — Exempt

Livestock, poultry, aquatic animals, and honeybees “owned by a person who is principally engaged in agricultural production” are exempt from property taxation. Ariz. Const. art. IX, sec. [13\(2\)](#) and A.R.S. [42-11126](#).

Animals — Taxable

All animals used for commercial purposes that are not held for sale in the normal course of business are taxable and are valued at market value. Refer to Valuation Table 8 in the [Valuation Tables and Index](#) to determine the value of certain types of animals (e.g., race horse, guard dog, etc.) if their market value is unknown.

The following two questions help determine the status of an animal as taxable or exempt:

1. Is the owner principally engaged in agricultural production? If so, all livestock, poultry, aquatic animals, and honeybees owned by that person are exempt.
2. If the animal is not exempt, pursuant to question 1, is the animal used for commercial purposes? If so, the animal is subject to valuation and assessment for property tax purposes.

The following examples demonstrate these concepts:

- A greyhound dog that is actively used as a race dog is taxable, because the animal is used for a commercial purpose. However, when the animal is no longer used as a race dog and is adopted into a private home (i.e., becomes a pet), the dog is no longer considered taxable.
- A rancher breeds and raises horses. The raising and breeding of horses by the rancher is considered to be an agricultural activity, and therefore, the horses are exempt from property tax. If the rancher sells a horse to a business that provides trail rides, or to a licensed hunting guide that provides pack animals, the horse

then becomes taxable. However, if the rancher sells a horse to an individual who keeps the horse only for personal, recreational use, the horse is not taxable.

- Animals owned by a circus or a private zoo are taxable. Animals owned by an exempt entity (e.g., The Phoenix Zoo) are exempt from taxation. It is important to understand that zoos often lend or borrow animals. Animals on loan to private zoos are considered to be taxed in their home state.

Artwork

Commercially-owned artwork and decorative accessories, including items such as paintings, pictures, statues, vases, plants, and other decorations are valued with a 10-year life, according to Valuation Table 1 in the [Valuation Tables and Index](#). Artwork may qualify as exempt inventory if the owner is engaged in the sale or distribution of artwork. Fine art held for investment purposes is valued at 100 percent of cost.

Billboards

Billboards are valued at a flat percentage of cost according to Valuation Table 8 in the [Valuation Tables and Index](#). Additional statutory depreciation does not apply to billboards. The value of billboards does not include the value of the sites upon which they sit.

Cable Television

Cable television systems are valued using the same methods applied to other business personal property. However, cable television companies may span a region that encompasses more than one tax area. Therefore, care must be taken to ensure that separate values are computed for property in each tax area. To accomplish this, an individual worksheet should be used for each tax area code.

The types of business personal property valued and assessed for a typical cable television company include construction machinery and equipment, deferred system costs, distribution systems, head-end equipment and towers, leasehold improvements,

materials and supplies, microwave equipment, office furniture and equipment, service and test equipment, studio and local origination equipment, and tools. Use Valuation Table 1 in the [Valuation Tables and Index](#), with an 8-year life for head-end equipment, a 10-year life for distribution systems, and a 12-year life for receiving antennas.

Many cable companies now offer voice over internet protocol (VoIP) phone service. If a cable company is discovered offering this service, the assessor should contact the Centrally Valued Property Unit at the Department to ensure proper equipment valuation.

Cell Towers

Cell tower valuation is determined by ownership. Towers owned by a telecommunications company are reported to the Department and valued as centrally valued property. Towers owned by a tower company are locally assessed and should be valued using Valuation Table 1 in the [Valuation Tables and Index](#), with a 20-year life.

Computer-Driven Equipment

Computer-driven equipment falls into two categories with separate valuation techniques:

1. Computerized Equipment (External Computer)

This category includes machines controlled by computers that are sold as separate units and can perform multiple functions exclusive of the machine. The computer equipment has the same expected life as personal and general-purpose computers, and the machinery has an expected life that is assigned to its specific industry. Examples that may meet the definition of computerized equipment are computerized machine lathes and computerized assembly machinery.

This type of equipment should be valued in two components:

- a) The free-standing computer system, including operating software, is valued as a computer using the total acquisition cost of the computer and operating software.

- b) The equipment is valued using the total acquisition cost and the appropriate valuation table found in the [Valuation Tables and Index](#).

2. Computerized Equipment (Internal Computer or CPU)

This category includes machines that are controlled by an internal computer or central processing unit (CPU). The machinery cannot operate without the computer, and the computer or CPU cannot perform functions separate from the machine. The machinery and computer are sold as a single unit, and the components of the system are an integral and structural part of the equipment itself. Computerized equipment with an internal computer or CPU has the same industry-specific life as other machinery used in the same industry.

Computers and Peripheral Equipment

Personal computers, general-purpose computers, peripheral equipment, and operating software that are used in a trade or business are valued as personal property. A.R.S. [42-19003.01 \(A\) and \(B\)](#). However, application software is not valued as personal property. A.R.S. [42-19003.01\(C\)](#). The following definitions apply to these items:

- **Personal Computers and General-Purpose Computers:** A programmable electronic device capable of accepting, processing, and supplying information according to prescribed processes either with or without human interaction. A computer usually consists of a CPU that includes extensive storage and carries out the prescribed processes by applying the arithmetic, control, logic, and other operations specified in its programming. This category includes personal computers, servers, mid-range computers, and main-frame computers.
- **Peripheral Equipment:** A device attached to a host computer to expand the computer's capability and usability and that depends upon the host computer for its primary functionality but that is not part of the host computer or its core architecture. Peripheral equipment includes, but is not limited to, keyboards, mice, mass storage hard drives (including cassette, solid state, tape, and thumb

drives), monitors and other output video display devices, printers, projectors, and scanners.

- **Operating System Software:** The collection of software that directs computer operations, controls and schedules execution of application software, and manages communication, input, output, and storage resources. A.R.S. [42-19003.01\(D\)](#). It is the software necessary to operate and interact with a computer. Operating system software is valued as part of the computer on which it is installed. A.R.S. [42-19003.01\(B\)](#). Examples of operating system software include Microsoft Windows, MacOS, and Linux.
- **Application Software:** Software designed to perform specific activities, functions, or tasks beyond the capability of operating system software. Application software, whether canned or customized, is not valued as personal property, so it is not included in the total acquisition cost or assessed value of a computer. A.R.S. [42-19003.01\(C\)](#). Examples of application software include application suites such as Microsoft Office, database management software such as Oracle, educational software, enterprise resource software such as PeopleSoft, and custom software designed for a specific user.

For valuation purposes, computers, operating system software, and peripheral equipment are assigned a four-year life per Valuation Table 5 in the [Valuation Tables and Index](#).

Computerized equipment that is incorporated into other equipment categories is not included in the computer, software, or peripheral equipment categories. See [Computer-Driven Equipment](#) above. Duplicating and copying equipment, and equipment used primarily for amusement or entertainment, such as video or arcade games, are not included in the computer category.

Construction Work in Progress

Construction work in progress (CWIP) is the amount of capital spent and entered on taxpayer accounting records as of December 31 of the preceding year for ongoing business personal property construction costs. A.R.S. [42-13354\(B\)](#) and [42-15065\(B\)](#). Such costs may include installation labor, materials, parts, and overhead expenditures for projects like facilities or machinery and equipment assembly and installation. Construction work in progress is not assessed by the county assessor until the construction has progressed to a sufficient degree such that the personal property becomes useful for the purpose for which it was constructed. A.R.S. [42-13354\(A\)](#) and [42-15065\(A\)\(1\)](#). For example, if two out of five production lines are operational at a manufacturing plant, the two lines in production may be assessed while the work in progress continues on the remaining three lines.

Disaster Recovery

Disaster recovery refers to activities and services performed in relation to infrastructure that has been damaged or destroyed by a declared disaster, such as business continuity services, data recovery, or facility repair and renovation. A.R.S. [42-1130\(F\)\(3\)](#). An out-of-state employee or business that is temporarily in Arizona to perform disaster recovery after a declared disaster is not required to file, remit, or pay property tax on any property brought into the state for the disaster recovery period. A.R.S. [42-1130 \(A\) and \(B\)\(3\)](#). Therefore, the assessor should not send a statement form or demand to such an employee or business.

Environmental Equipment

Environmental equipment includes equipment and fixtures designed and constructed solely for the abatement, control, prevention, and/or reduction of discharges or releases into the environment of gaseous, liquid, or solid substances; heat or noise; or any other adverse impact of an activity on the environment. See A.R.S. [42-12006\(5\)](#).

Environmental equipment generally assumes the same economic life as the property to which it is attached or with which it is associated. For example, if air scrubbers are installed as part of a ventilation system, the scrubbers assume the same economic life as the ventilation system. An exception to this principle may exist if the taxpayer can demonstrate that the environmental equipment has an economic life independent of the property to which it is attached.

High-Tech Dental Equipment

Most dental equipment is valued based on a 10-year life. New technologies, such as digital intraoral scanners and chair-side restoration equipment are commonplace. The assessor should be familiar with the technology behind the equipment in order to properly classify it. For example, some dental scanners use CT imaging, and could appropriately be classified as high-tech medical imaging equipment with a six-year life.

Improvements on Possessory Rights

Improvements on possessory rights (IPRs) are buildings, structures, or other improvements located on land that is not owned by the owner of the improvements. But see [42-17154\(B\)](#). Improvements on possessory rights may be situated on land that is taxable²⁰ or nontaxable. Examples of IPRs may include:

- A mall located on taxable property owned by a private third party.
- A sporting venue located on nontaxable property owned by a government entity.
- A building situated on a nontaxable mining claim.

Though rare, IPRs that are located on taxable land are classified and valued according to the current use of the property. Most IPRs are located on nontaxable land and may be subject to specific valuation procedures defined in statute, such as the following:

²⁰ Though IPRs are **not** typically located on taxable land, the assessor and treasurer must be aware that in such a case, procedures for dealing with both property tax billing and property tax liens (see A.R.S. [42-17154\(B\)](#)) are usually addressed in the subject lease.

- “Improvements, appurtenances, wells, stock tanks and any other fixed property that is located on unpatented land, a mining claim or state land not secured by patented real property...shall be valued as personal property.” A.R.S. [42-19003\(A\)\(1\)](#). Personal property is typically valued and assessed based upon its full cash value. See A.R.S. [42-11001\(6\)](#).
- “Improvements that are located on federal, state, county or municipal property” and that also meet certain leasehold and property use requirements (e.g., aviation, education, nonprofit, recreation, research), may qualify as Class Nine property (A.R.S. [42-12009\(A\)](#)) that is “subject to valuation at full cash value” (A.R.S. [42-12009\(C\)](#)).
- A “possessory improvement...located on federal, state, county or municipal property or the property of another political subdivision of this state that is owned by a nongovernmental possessor thereof.” A.R.S. [42-15301](#). For several reasons, including their immovability, possessory improvements are subject to special valuation requirements, as follows:
 - Must be valued using standard appraisal methods and techniques. A.R.S. [42-15302](#).
 - Are subject to a limited property value: “[t]he limited property value of possessory improvements shall be calculated...and is not subject to the exemption for personal property as set forth in section 42-13304.” A.R.S. [42-15303](#).
 - “[M]ay be placed on the real property roll.” A.R.S. [42-15304\(A\)](#).
 - “[S]hall be subject to procedures for delinquent taxes as real property”. A.R.S. [42-15304\(B\)](#).
- “A lessee of state land shall maintain all improvements that are pertinent to the lease in serviceable condition for the term of the lease and shall not remove any improvement without written authorization from the department except as provided by subsection B. All improvements placed upon state land shall, until

they become the property of the state, be subject to assessment for taxes in the name of the owner, as other property.” A.R.S. [37-322.03\(A\)](#).

Leased Equipment

According to Generally Accepted Accounting Principles, there are two types of leases: finance (or capital) leases and operating leases. Under a finance lease, the lessee is considered to own the leased assets, which are financed with a loan from the lessor. Thus, finance leases are also referred to as “sales type” or “direct financing” leases. Under an operating lease, the lessee is considered to rent the leased assets from the lessor.

However, for property tax purposes, ownership is maintained by the lessor, so leased personal property should be assessed to the lessor (as owner of the property), regardless of the lease type or the party responsible to pay the property taxes under the lease terms. See A.R.S. [42-15053\(A\)](#).

Equipment owned by a taxable leasing company and leased to an exempt entity, such as a government agency or exempt school, is **not** exempt. Whether leased equipment qualifies for exemption is determined by the status of the owner, the use of the property, and the taxable/exempt status of the lessor.

Leased Equipment at Centrally Assessed Locations

Based on Arizona Attorney General Opinion I80-110, issued June 24, 1980, personal property leased by a utility, mine, or railroad that is used as part of the operating property of the utility, mine, or railroad should be valued by the Department. According to this opinion, centrally assessed taxpayers are required to report all leased equipment used in the operation of their business to the Department for property tax purposes. Such property should not be valued by the county assessor.

All information filed by taxpayers with the Department is confidential. A.R.S. [42-2001 to 42-2004](#). However, starting with the 1999 valuation year, centrally assessed taxpayers

were requested to waive their confidentiality rights with respect to leased equipment. The Department shares this information with the county assessors to ensure that leased property is not assessed to both the lessee and the lessor.

Leased or Owned Equipment — Nonoperating Property

The property of a centrally assessed taxpayer that is not used as part of the operating property of the taxpayer, whether owned or leased, should not be valued by the Department, but should be locally assessed. The taxpayer must report this property to the assessor. This type of property is referred to as “nonoperating” or “other” property on the balance sheet of the centrally assessed taxpayer. Any questions concerning leased property or nonoperating property of a centrally assessed taxpayer should be directed to the Department’s Centrally Valued Property Unit.

Leasehold Improvements

Leasehold improvements, also known as tenant improvements, are fixed improvements to land or structures that are installed and paid for by a lessee or tenant.²¹ Such improvements might include a storefront, floor covering, dropped ceiling, lighting, or air conditioning. Leasehold improvements generally meet the definition of real property, i.e., property that is attached such that it cannot be removed without damaging it or the real property to which it is attached. See [Distinguishing Between Real and Personal Property](#) above. In some situations, it may be convenient for both the taxpayer and the county assessor to list leasehold improvements on the personal property tax roll.

If leasehold improvements are reported by the lessee, the assessor should determine whether the improvements have been included in the reported value of the associated real property. Making this determination is necessary to avoid double taxation of the leasehold improvements by attributing them simultaneously to the lessee as personal property and to the lessor as real property.

²¹ See [IAAO Glossary](#), *supra* note 4, at 65, s.v. “Leasehold Improvements.”

When using the cost approach to value a building with leasehold improvements, it is important **not** to separately value the interior and the rest of the building. This is because depreciation tables are designed to value an entire building, not just its shell. Separately valuing the interior and the building would cause both to be undervalued.

If a new lessee occupies a building and remodels the interior, the standard interior set forth in the depreciation tables and used to value the building should not be changed. If the lessee adds leasehold improvements not included in the standard interior, or adds an above-standard interior, the additional structural items may be listed on the personal property tax roll and assessed to the lessee.

If the income approach is used to value the real property, the comparable rents used to establish market rent should include buildings with standard interiors. The same is true when using the sales comparison approach; only sales of similar properties with similar interiors should be used.

Libraries — Commercial

Commercial libraries, such as those of accountants, architects, broadcasters, engineers, entertainers, lawyers, medical professionals, and related occupations, are taxable. These libraries may consist of hard- and soft-cover books, CDs, microfilm, and microfiche. Commercial library contents are valued according to Valuation Table 1 in the [Valuation Tables and Index](#), with a 10-year life.

Rebuilt or Refurbished Business Personal Property

After a period of use, equipment may need to be rebuilt or refurbished. Each rebuild situation is unique, and the extent and nature of the rebuild must be examined by the assessor to determine the effect, if any, on the value of the equipment. Some questions that must be answered in order to make a determination of value are:

1. Is this a repair or a rebuild?
2. If a rebuild, does the rebuild add to the economic life of the equipment?

3. If a rebuild, does the rebuild upgrade the equipment to do more than when it was new, or to perform a different function?

The total cost of the rebuild should also be considered to determine its potential effect on the value of the equipment. Generally, the cost of a rebuild is taxable if the life of the equipment is extended, or if the equipment is upgraded or enhanced. To arrive at a final value, the assessor may choose to remove a portion of the cost of the original equipment, if that portion can be specifically identified. The assessor also may choose to adjust the effective age of the equipment to reflect additional life that is added by the rebuild.

Equipment that is temporarily out of service while being rebuilt is **not** CWIP, and the equipment is taxable during the time it is being rebuilt.

Rental Media — DVDs, Video Games, Video Tapes, Etc.

Rental media, such as digital versatile discs (DVDs), video games, and video tapes are assigned an acquisition cost of \$7.00 per item and are depreciated over a two-year life, according to Valuation Table 5 in the [Valuation Tables and Index](#). Depending on when first classified, rental media included in property Classes One, Two, and Six may be eligible to receive additional statutory depreciation. See A.R.S. [42-13054](#) and [42-13353](#). If the owner is reporting for the first time and owns rental media acquired in a year other than the preceding calendar year, the year of acquisition and number of items acquired in each prior year should be reported to maintain account accuracy. Rental media may be valued at minimum value if eligible.

Security Systems

Intrusion alarm security systems should be treated as personal property and valued using Valuation Table 1 in the [Valuation Tables and Index](#), with a five-year life.

Semiconductor Manufacturing Equipment — Integrated Circuit

The Department compiled a valuation schedule to apply to manufacturing equipment used for the production of integrated circuit semiconductor products. A single schedule was selected for all product lines within the industry, rather than establishing separate schedules. The schedule was developed to be representative of the most probable economic life of a wide variety of semiconductor manufacturing equipment.

The semiconductor schedule applies to all front-end (crystal growing, photo mask, and wafer manufacturing) and/or back-end (assembly, burning, die assembly, encapsulation, final test, and wire bonding) equipment. It also applies to specialized services dedicated to the manufacturing equipment, such as chemical and gas lines, clean rooms, deionized water plumbing, electrical services, product pilot-line equipment, and equipment used to produce new prototypes. An owner does not have to be engaged in both front-end and back-end production in order to utilize the schedule.

The semiconductor schedule should not be used for equipment that is not an integral part of a semiconductor manufacturing facility. Such equipment is not industry specific. For example, the schedule should not be applied to equipment used by an outside supplier to manufacture or combine chemicals, even though the chemicals may be sold to and used by a semiconductor manufacturer.

Change in technology is the primary factor leading to the decline of equipment value in the semiconductor manufacturing industry. Although manufacturers may utilize equipment with potentially different economic lives, a five-year life was established to be representative of all manufacturing equipment typically used in the industry. This includes equipment for depollution, research, development, and discrete process manufacturing. See five-year life on Valuation Table 1 and Valuation Table 2 in the [*Valuation Tables and Index*](#).

Signs (Other Than Billboards)

Signs are valued according to Valuation Table 1 in the [Valuation Tables and Index](#), with a 10-year life.

Solar Energy Devices

Photovoltaic systems are valued using Valuation Table 9 in the [Valuation Tables and Index](#), with a 10-year life.

Spare Parts

Spare parts acquired as part of an equipment package and included in the cost of that package should not be reported separately. The cost of the spare parts is included already in the total acquisition cost of the equipment. Spare parts acquired separately from related equipment are considered supplies and should be reported as taxable personal property.

Supplies

Supplies are items or materials consumed in the operation of a business and are valued at 100 percent of cost. Supplies are not depreciated. The presence of a name or logo on supplies does not diminish their value to the owner. All supplies on hand as of December 31 must be reported, even if they were reported in prior years. Alternatively, a taxpayer may report 1/12 of its annual supply budget.

Examples of supplies include batteries, cleaners, fertilizers, fuels, light bulbs, lubricants, office supplies and stationary, packaging materials, spare and replacement parts, and tires. Parts kept on hand to repair and maintain existing equipment are considered supplies only if their cost was not included in the acquisition cost of the equipment. Items consumed in processing, but which have a primary function other than that of the product or service with which they are used, are considered supplies. However, supplies

consisting of animal and poultry feed, including salts, vitamins, and other additives, are exempt from taxation. A.R.S. [42-11123](#).

Supplies do not include raw materials or inventory, which are exempted from taxation. See Ariz. Const. art. IX, sec. [13\(1\)](#) and A.R.S. [42-11125](#). In contrast to supplies (consumable items used to operate a business), inventory consists of consumable items held for sale. For example, a retailer who sells office furniture and supplies will have office supplies that are used in the operation of its business (supplies) and office supplies that are held for sale (inventory).

Tools, Molds, Dies, and Jigs

To value tools, molds, dies, and jigs, the assessor may need to discover the average life of the equipment as used in production before applying the factor from Valuation Table 1 in the [Valuation Tables and Index](#). The assessor may obtain this, or other pertinent information, from the equipment manufacturer or the property owner. Such information is subject to verification by the county assessor.

Used Equipment

As a general rule, the value of used equipment is based on its acquisition cost to the current owner. In some cases, such as when the acquisition cost of used equipment does not represent an arm's length transaction, other methods may be used to value the property.

Illustrations of techniques for the valuation of individual items of used equipment and the used equipment of an entire business are included below as guidelines.

Individual Items of Used Equipment. For individual items of used equipment, the following valuation methods are recommended for use with a computer assisted mass appraisal (CAMA), or similar, valuation system.

1. If the acquisition cost and acquisition date are known, the assessor should:
 - a) Establish that the acquisition cost is consistent with the current RCNLD for similar equipment of the same age.
 - b) Estimate the remaining economic life of the equipment, or determine that the condition of the property will permit depreciation as if new.
 - c) Enter the purchase price as the acquisition cost.
 - d) Enter the year of acquisition by the current owner.
 - e) Enter the estimated remaining economic life as the expected life.
 - f) The system will override the date of acquisition and compute a value based on the acquisition cost and the estimated remaining economic life for the used equipment as if it were new.
2. If a new owner provides documentation supporting the acquisition cost and year acquired, as reported by the former owner:
 - a) Enter the original acquisition cost and year acquired.
 - b) The system will compute a value based on the original acquisition cost and date in the same manner as for any other equipment.
3. If the reported acquisition cost for used equipment is inconsistent with the current RCNLD for similar equipment, and if the assessor knows the year of acquisition when the equipment was new, the following alternative method may be used to determine the value of the equipment:
 - a) Compute the acquisition cost new that would result in a current RCNLD, if factored back to the original acquisition year.
 - b) Enter the calculated acquisition cost and known acquisition year when the equipment was new.
 - c) The system will compute a value, and the entered information should be used as the basis for continuing valuation of that equipment.

The last method should only be used when the other methods cannot reasonably be used.

Used Equipment Acquired With a Business. For used equipment acquired as part of a business, the following methods are recommended for use with a CAMA, or similar, valuation system.

1. If the new owner reports the acquisition cost of the used equipment separately from other property in the transaction, the assessor should:
 - a) Estimate the remaining economic life of the used equipment, based on consideration of typical life years for the dominant categories of machinery and equipment acquired with the business.
 - b) Enter the year of acquisition by the new owner and the acquisition cost of the used equipment as a single lump sum.
 - c) The system will compute a value, and the entered information should be used as the basis for continuing valuation of that equipment.
2. If the new owner provides documentation supporting the acquisition cost and year acquired, as reported by the former owner, reporting by the new owner and valuation of the used equipment should continue as if there were no change in ownership.
3. If the acquisition cost of the used equipment cannot reliably be separated from the cost of acquiring the business, the assessor should determine if a field inventory is necessary to establish and value a current list of personal property.
4. If the acquisition cost of used equipment to the original owner is not known, and the acquisition cost to the current owner cannot reasonably be determined, the assessor may establish a value based upon the current year of acquisition and the current appraised value.

Vaults and Vault Doors

Vaults and vault doors, including inner gates, are usually found in buildings occupied by banks and other financial institutions. Vaults are normally considered to be part of the building in which they are located and are usually classified as real property. Even so, vault doors may be assessed as real or personal property, depending on their

ownership. If the vault door is owned by the owner of the building in which the vault is located, the vault door will be assessed as part of the vault, which is real property. If the building is leased, and the vault door is owned by the lessee, the vault door will be assessed as personal property, using Valuation Table 6 in the [Valuation Tables and Index](#), with a 50-year life.

Vehicle Mounted Equipment

Vehicle mounted equipment is equipment that is not typically included on a vehicle factory invoice, is not easily removable, and that creates a definite interior or exterior change to the vehicle. Examples of vehicle mounted equipment include booms, concrete mixers, concrete pumpers with or without attachments, cranes, drilling exploration units on three or four axles, fuel tank haulers with service equipment for off-highway vehicles, generator/welding units, loaders, mobile MRI units, satellite broadcasting units, trash and sanitation truck equipment (except container haulers and telescopers), and water-well rigs (including rotary drilling).

Dealer modifications completed prior to the initial sale of a vehicle are generally assessed and taxed under the vehicle license tax and should not be valued by the assessor. The assessor may request a copy of the vehicle registration to determine whether the vehicle mounted equipment is accounted for under the vehicle license tax. If not, the assessor should value the vehicle mounted equipment using the appropriate table.

Walk-in Coolers or Freezers

Walk-in coolers or freezers are appropriately classified as personal property, based on the following:

- **Construction:** Prefabricated panels, glass display doors, dedicated mechanical equipment.
- **Ownership:** Generally purchased for and/or by a lessee business owner, not by the building owner.

- **Portability:** When a business is remodeled or terminates operations, walk-in coolers and freezers are often remodeled, relocated, or disposed of by the business owner.

When a walk-in cooler or freezer is constructed as part of a building and is permanently annexed to the building, the unit should be classified as either real property or a leasehold improvement. See [Distinguishing Between Real and Personal Property](#) above. Walk-in coolers and freezers assessed as personal property should be valued using Valuation Table 1 in the [Valuation Tables and Index](#), with a 10-year life.

Watercraft

Watercraft registered for operation in Arizona are exempt from property taxes, unless owned and operated for a commercial purpose. Ariz. Const. art. IX, sec. [16](#). Valuation information for taxable watercraft is normally provided by the owner. If the value of the watercraft is not known by the owner, NADA guides or another similar valuation guide can be used to establish a current value.

Management of Business Personal Property

Assessment Calendar

The calendar of legal events and assessments applicable to business personal property may be viewed in the Department publication entitled [Annual Calendars of Legal Events and Assessments](#).

Notice of Value

On or before August 30 of each year, the assessor must mail a Notice of Value (NOV) to the owner or person in control or possession of personal property. A.R.S. [42-19006\(A\)\(1\) and \(2\)](#).

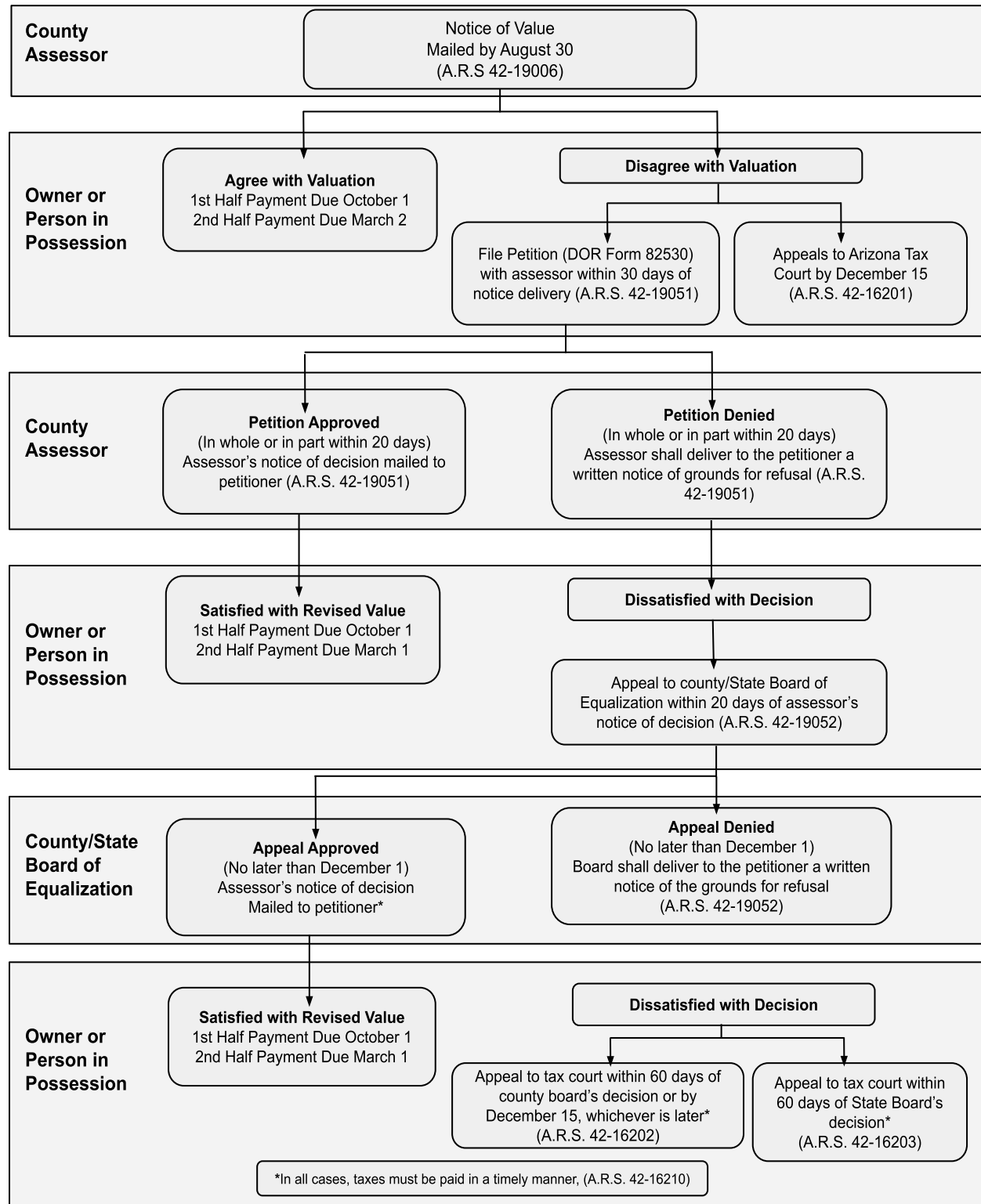
For further information about the Notice of Value, including required contents, deadlines and extensions, and amended and supplemental notices of value, refer to the Department publication entitled [*Overview of the Arizona Property Tax System*](#).

Appeals Process

Property owners or persons in control or possession of property who are dissatisfied with the valuation or classification of the property, as determined by the assessor, have well defined rights of appeal. Both administrative and judicial appeal processes are provided for by law. Appeal processes for both real and personal property are similar, differing mainly in applicable time periods and deadlines.

Comprehensive information regarding appeal processes for real property valuation or classification may be found in the Department publication entitled [*The Appeals Process*](#). Summaries of appeal processes for both real and personal property are found in the Department publication entitled [*Overview of the Arizona Property Tax System*](#).

Appeal processes for personal property valuation or classification are outlined in the following table and more fully described in the subsequent text.



Administrative Appeals

The administrative appeal process consists of two levels. Level one is heard by the county assessor, and level two is heard by either the county board of equalization or the State Board of Equalization. See A.R.S. [42-16051 to 42-16169](#). County boards of equalization are established in counties with a population of less than 500,000, while the State Board of Equalization has jurisdiction in counties with a population of 500,000 or more (currently only Maricopa and Pima Counties). A.R.S. [42-16102](#) and [42-16153](#). No appeal may be filed with either board of equalization without first having been filed with the assessor. A.R.S. [42-16056\(D\)](#).

Representation in Administrative Appeals. Property owners or persons in control or possession of personal property (petitioner) may represent themselves or may retain an agent to act on their behalf in an administrative appeal. A.R.S. [32-3651\(3\)](#) and [42-16001](#). Property tax agents must be designated annually by filing an *Agency Authorization* or *Agency Authorization Continuation* (ADOR Forms [82130AA](#) and [82130AAA](#)) with the county assessor. A.R.S. [42-16001\(B\)](#). These forms are available from the Department or the assessor and must accompany all appeals. A.R.S. [42-16001\(C\)](#). Statutory requirements regarding property tax agents are found in A.R.S. [32-3651 to 32-3656](#).

Once a property tax agent is designated, all notices relating to the appeal must be sent directly to the agent by the county assessor or applicable board of equalization. A.R.S. [42-16001\(C\)](#). Although attorneys may represent petitioners in administrative appeals, attorneys are not required to register as property tax agents. A.R.S. [32-3651\(3\)](#).

Appeals to the County Assessor. Petitioners or their agents may appeal a personal property valuation or classification by filing a *Petition for Review of Personal Property* (ADOR Form [82530](#)) with the county assessor. The petition must be filed within 30 days after the Notice of Value was delivered by the assessor and must provide the petitioner's opinion of value or legal classification and substantial information to justify

that opinion. A.R.S. [42-19051\(A\) \(1\) and \(2\)](#). Because the assessor may send the personal property Notice of Value any time from April 2 to August 30 (see A.R.S. [42-15053\(A\)](#) and [42-19006\(A\)](#)), the date range for filing a first-level administrative appeal with the assessor can be any time from May 2 to September 29 (see A.R.S. [42-19051\(A\)](#)).

The assessor must rule on all personal property appeal petitions within 20 days after the filing date. A.R.S. [42-19051\(B\)](#). If an appeal is denied in whole or in part, the assessor must deliver to the petitioner written notice of the grounds for the denial. A.R.S. [42-19051\(D\)](#). A petitioner whose request is denied may appeal to the applicable board of equalization. A.R.S. [42-19052\(A\) \(1\) and \(2\)](#). See A.R.S. [42-16105\(A\)](#) and [42-16157\(A\) and \(D\)](#). The Department may also appeal a decision of the assessor before the State Board of Equalization. A.R.S. [42-16105\(B\)](#) and [42-16157\(B\)](#).

Appeals to the Board of Equalization. A second-level appeal to the board of equalization must be filed within 20 days after the date the assessor mailed the notice of refusal or decision. A.R.S. [42-19052\(A\) \(1\) and \(2\)](#). See A.R.S. [42-16105\(A\)](#) and [42-16157\(A\) and \(D\)](#). The board must complete the appeal hearing and issue a decision on or before December 1. A.R.S. [42-16108\(C\)](#) and [42-16165\(3\)](#). The board must also provide a copy of the decision to the assessor and petitioner, and if applicable, to the Department. A.R.S. [42-16108\(D\)](#) and [42-16164\(B\)](#).

Hearings before the county board of equalization may be conducted by one or more members of the board or by a hearing officer. A.R.S. [42-16104\(A\)](#). See A.R.S. [42-16103](#). Information presented during the hearing is subsequently reported to the full board of equalization for a decision on the petition. A.R.S. [42-16104\(A\)](#). The county board of supervisors may also choose to engage the State Board of Equalization to hear and issue decisions regarding second-level administrative appeals. A.R.S. [42-16102\(C\)](#).

Hearings before the State Board of Equalization are held in the county in which the subject property is located. A.R.S. [42-16161\(C\)](#). Hearings that involve Class Three property or property valued at \$3,000,000 or less are heard by at least one member of the State Board or by a hearing officer from the county in which the property is located. A.R.S. [42-16156\(B\)\(2\)](#). All other appeals are heard by a panel of either three or five members of the State Board, two of whom must be from the county in which the property is located, unless the State Board chairman is representing the county. A.R.S. [42-16156\(B\)\(3\)](#).

A party who is dissatisfied with the decision of either board of equalization may file a judicial appeal. A.R.S. [42-19052\(B\)](#). See A.R.S. [42-16202 to 42-16203](#).

Judicial Appeals

General Tax Court Procedures. A petitioner who is dissatisfied with the valuation or classification of property on the Notice of Value may choose to file a judicial appeal **at any time** on or before December 15, rather than file an administrative appeal. A.R.S. [42-15104\(2\)](#) and [42-16201\(A\)](#).

Alternatively, if a petitioner first chooses to file an administrative appeal and is dissatisfied with the decision of the assessor or applicable board of equalization, the petitioner may file a judicial appeal. A.R.S. [42-16201 to 42-16203](#). See also A.R.S. [42-16111\(A\)](#), [42-16168\(A\)](#), and [42-19052\(B\)](#). However, once an administrative appeal is commenced, a subsequent judicial appeal must be filed within 60 days after the mailing date of the most recent administrative decision relating to the subject petition. A.R.S. [42-16201\(B\)](#). See A.R.S. [42-16202\(A\)](#)²² and [42-16203\(C\)](#).

Under certain circumstances, the assessor or the Department may also file a judicial appeal in response to decisions of either board of equalization, but must do so in the

²² **Note:** A judicial appeal of a decision issued by a **county board of equalization** must be filed within 60 days after the mailing date of the decision, **or** by December 15, whichever is later. A.R.S. [42-16202\(A\)](#).

same manner and by the same date as a property owner. A.R.S. [42-16202\(B\)](#), [42-16203 \(A\) and \(C\)](#), and [42-16206\(A\)](#).

All taxes levied and assessed against property for which a judicial appeal has been filed must be paid prior to the date the taxes become delinquent. A.R.S. [42-16210\(A\)](#). If the taxes are not paid prior to becoming delinquent, the tax court will dismiss the appeal unless the delinquent amount is paid by either December 1 or July 1, as applicable. A.R.S. [42-16210\(B\) \(1\) and \(2\)](#).

Small Claims Tax Court Procedures. A petitioner may elect to file a judicial appeal in small claims court if: (a) the property is Class Three property, or (b) the full cash value of the personal property does not exceed \$2,000,000, or (c) the amount of taxes, interest, and penalties in dispute is less than \$5,000. A.R.S. [12-172\(A\) \(1\) and \(2\)](#). A small claims procedure may be reclassified as a regular tax court case if these requirements are not met. A.R.S. [12-173\(C\)](#). The petitioner must indicate an intention to use small claims procedures in the caption of the complaint. A.R.S. [12-172\(B\)](#). The petitioner may appear on their own behalf, be represented by an attorney licensed to practice in Arizona, or be represented by any other person the court allows to participate in the hearing. A.R.S. [12-174\(B\)](#).

Business Personal Property Tax Audits

County assessors have authority to conduct investigations as necessary to ensure that all personal property subject to taxation in the county is properly included on the tax rolls. A.R.S. [42-15054\(B\)](#). If the assessor believes a taxpayer has not reported a complete list of property in their possession or control, the assessor may investigate to ascertain the extent and value of the property. A.R.S. [42-15054\(C\)](#). The assessor must conduct such an investigation in a manner that would discover and correct errors in favor of the taxpayer as well as errors not in favor of the taxpayer. A.R.S. [42-15054\(C\)](#). Additionally, while not open to public inspection, every business property statement filed with the county assessor may be used as evidence in any prosecution brought under

A.R.S. [42-15055](#), and may be subject to audit. A.R.S. [42-15053\(G\)](#). These statutes give authority to the county assessor and the Department to audit a person's records in connection with business personal property assessment.

Purpose and Policy Underlying the Audit

The purpose of an audit is to ensure that all business personal property and its acquisition costs are reported fully and accurately. An audit may be conducted at the place of business of the property owner, the location of the books and records of the property owner, or the office of the county assessor. If possible, the auditor should view the subject property, even though it may be located at a site other than where the audit is conducted.

The IAAO lists three primary reasons for the existence of auditing programs:²³

- Assessors are responsible for distributing the tax burden fairly and equitably.
- Auditing serves to encourage reporting compliance by taxpayers.
- Auditing may be used as a discovery tool for fixed assets.

County assessors are highly encouraged to implement compliance programs. These programs should primarily focus on the objectives of maintaining the accuracy of assessor records and providing taxpayer education, and should secondarily focus on discovering assets. It is important that assessor staff employ public relations skills during an audit to facilitate taxpayer education regarding how and why they should file business property statements.

Additional Charges

If an audit by the county assessor discovers business personal property that was escaped, omitted, or under-reported, penalties may apply. The conditions under which additional taxes and charges are authorized by law include:

²³ IAAO, *Course 501: Personal Property Auditing — Basic to Advanced*, (IAAO, 2016), 6-7.

1. If the April 1 filing deadline is not met, the assessor shall impose a penalty of 10 percent of the full cash value of the property. The assessor may abate all or part of the penalty if the business property statement is received within 30 days of the deadline (May 1). A.R.S. [42-15055 \(C\) and \(D\)](#).
2. If business personal property is found to have escaped taxation, due to non-reporting or upon audit, a penalty in the amount of 10 percent of the taxes due on the escaped property will be assessed. A.R.S. [42-15053\(G\)\(2\)](#).
3. If the property owner or agent knowingly concealed, removed, transferred, or misrepresented business personal property to evade taxation, the property is liable for the amount of taxes due plus a penalty equal to the amount of taxes due for the year in which the discovery was made. A.R.S. [42-15055\(E\)](#).

Correction of Property Tax Errors

Arizona law establishes procedures to correct certain errors in the assessment of property or the collection of property taxes. A.R.S. [42-16251 to 42-16259](#). Actions to correct a property tax error may be initiated by either the taxpayer or the tax officer, meaning the assessor, treasurer, or Department. See A.R.S. [42-16251\(4\)](#), [42-16252](#), and [42-16254](#).

Examples of property tax errors include imposing an improper tax rate, incorrectly identifying property use, applying an incorrect assessment ratio, misreporting or failing to report property, and directly valuing property based upon misentered data. A.R.S. [42-16251\(3\)](#).

For comprehensive information regarding the correction of property tax errors, refer to the Department publication entitled [Correcting Property Tax Errors](#). For a summary of property tax error correction procedures, refer to the Department publication entitled [Overview of the Arizona Property Tax System](#).

Proration of Business Personal Property Taxes

Business personal property taxes can be prorated only when the property is periodically leased or rented from the inventory of a retailer or wholesaler. A.R.S. [42-19103](#). Proration does not apply to business personal property that is owned and held by persons primarily engaged in the business of renting personal property. A.R.S. [42-19005\(D\)](#). Such property is taxable, whether or not it is rented.

Retailers or wholesalers who periodically lease inventory are required to report this activity using the *Property Leased or Rented from Inventory* form (ADOR Form [82527](#)). This form must be filed with the county assessor on or before the 10th day of each month to report activity of the preceding month. A.R.S. [42-19005\(C\)](#). In accordance with A.R.S. [42-19103](#), the assessor will calculate the prorated full cash value using the following formula:

Full cash value	X	0.00274 (where 0.00274 = 1 ÷ 365)	X	number of days leased	=	Prorated full cash value
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If the lease term extends beyond the end of the current year and into the subsequent year, separate assessments should be prepared to account for the actual number of days the item was leased in each year.

Appendix: Sample Forms

COMPLETE IN FULL AND RETURN TO ASSESSOR

BY:

MAILING DATE

ASSESSOR'S USE ONLY

TAXPAYER / ACCOUNT NUMBER	LOC	CK
<div style="border-bottom: 1px solid black; width: 100%; height: 1.2em; margin-bottom: 2px;"></div> <div style="border-bottom: 1px solid black; width: 100%; height: 1.2em; margin-bottom: 2px;"></div> <div style="border-bottom: 1px solid black; width: 100%; height: 1.2em; margin-bottom: 2px;"></div> <div style="border-bottom: 1px solid black; width: 100%; height: 1.2em; margin-bottom: 2px;"></div> <div style="border-bottom: 1px solid black; width: 100%; height: 1.2em; margin-bottom: 2px;"></div> <div style="border-bottom: 1px solid black; width: 100%; height: 1.2em; margin-bottom: 2px;"></div>	<div style="border-bottom: 1px solid black; width: 100%; height: 1.2em; margin-bottom: 2px;"></div>	<div style="border-bottom: 1px solid black; width: 100%; height: 1.2em; margin-bottom: 2px;"></div>

☐ NEW TAXPAYER

IMPORTANT - READ FIRST! Before completing this form, please read the instructions for information on reporting requirements. Statutes have changed from prior years. The exemption amount this year is \$269,905.

1. BUSINESS NAME _____ C/O _____

2. ADDRESS _____ CITY _____ STATE _____ ZIP _____

3. PROPERTY LOCATION ADDRESS _____ CITY _____ STATE AZ ZIP _____

4. BUSINESS TYPE (Manufacturing, Office, Restaurant, etc.) _____ FEIN _____

5. DATE STARTED IN THIS COUNTY _____ CONTACT PERSON _____ PHONE _____

SECTION 2: DO NOT MAKE CORRECTIONS IN THIS SECTION. MAKE ALL CHANGES, ADDITIONS OR DELETIONS TO PROPERTY COST LISTED BELOW IN SECTION 3. THE ACQUISITION COST OF PROPERTY REPORTED LAST YEAR IS LISTED BELOW BY SCHEDULE AND YEAR ACQUIRED.

SCHED.	YEAR	ACQUISITION COST	CLASS	CODE

SCHED.	YEAR	ACQUISITION COST	CLASS	CODE

TAXPAYER: RETURN ORIGINAL FORM AND COPY BOTH SIDES FOR YOUR FILES

TAX YEAR: 2025

2025 ARIZONA BUSINESS PROPERTY STATEMENT
SHADED AREAS FOR ASSESSOR'S USE ONLY

BUSINESS NAME _____ TAXPAYER/ACCOUNT NUMBER _____

Taxpayer is not required to report the value of qualifying personal property that does not exceed the amount of the current year maximum exemption. However, submitting a complete and full report of all assets is advised as it will help to ensure the correct application of the exemption and accuracy of the assessor's valuation. In addition, all personal property statements filed with the assessor may be subject to audit, may be used as evidence in any prosecution brought under A.R.S. § 42-15055, and may be subject to penalty if property is found to have been under-reported or to have escaped taxation. Accounts not subject to filing requirements may be audited. A.R.S. § 42-15052 through § 42-15055 and § 42-11002.

SECTION 3: ADDITIONS AND DELETIONS: ENTER YOUR TOTAL ACQUISITION COST AND YEAR ACQUIRED OR DELETED.

ADDITIONS

Year Acquired	New or Used	Furniture <i>office, store or hotel</i>	Fixtures <i>store, hotel or other</i>	Machinery & Equipment	Computers	Electronic Equipment <i>phones, faxes, TV's</i>	Other <i>Please describe</i>

DELETIONS

Year Acquired	New or Used	Furniture <i>office, store or hotel</i>	Fixtures <i>store, hotel or other</i>	Machinery & Equipment	Computers	Electronic Equipment <i>phones, faxes, TV's</i>	Other <i>Please describe</i>

LEASEHOLD IMPROVEMENTS

Year Acquired	New or Used	Property Description

SECTION 4: ADDITIONAL INFORMATION REQUIRED.

LEASED OR RENTED PROPERTY: Attach a list of all leased or rented property in your possession.

UNOWNED PROPERTY: Attach a list of property located at your place of business which you do not own, rent or lease.

GOVERNMENT OWNED LAND: If located on government property, attach a list providing the government owner's name and address.

☐ By checking here, I am submitting a complete listing and requesting the assessor calculate any applicable exemption amount. I request the exemption be applied in _____ County. If claiming the exemption in multiple counties, submit list with Supplemental Information

By signing below, I hereby affirm that this is a full, true, and complete statement of property that is claimed by, or that is in the possession or control of the undersigned, and it is verifiable from records and files of the above named business.

Print Name of Property Owner or Authorized Agent _____ Date _____ Email Address _____

Signature of Property Owner or Authorized Agent _____ Phone _____ If claiming exemption in multiple counties, include list in Supplemental Information.

SUPPLEMENTAL INFORMATION ATTACHED? YES ☐ NO ☐

TAXPAYER: RETURN ORIGINAL FORM AND COPY BOTH SIDES FOR YOUR FILES

**ARIZONA BUSINESS PROPERTY STATEMENT
TAX YEAR 2025 INSTRUCTIONS**

GENERAL INFORMATION

All owners of personal property must file a Business Property Statement if a form, notice, or demand has been sent by the Assessor. It must be filed annually by April 1. If April 1 falls on a Saturday, Sunday or legal holiday, the filing is due on the next business day. The term "Business Property" identifies property used for commercial, industrial, and agricultural purposes. It includes personal property improvements on possessory rights (I.P.R.'s), and certain leasehold improvements. Under Arizona law, all such property is subject to property taxes, except for certain goods and materials considered to be inventory and ultimately held for resale, and certain specified animals. Business property is valued at its full cash value as of the current year. Any difference in acquisition cost as found on the books and records from that reported will be considered escaped property. Escaped property may include under-reported or unreported property. Escaped property is subject to taxation, interest, and applicable penalties for a period of three years from the date the notice of escaped property was mailed by the Assessor.

If duplicate forms are received, contact the County Assessor. A separate return must be filed for each location. If the form is not addressed to the current business owner, return it to the Assessor's Office and request a corrected form.

- **EXEMPTION AMOUNT:** Pursuant to Arizona Revised Statute § 42-11127, for Tax Year 2025 the exemption for Commercial and Agricultural Business Personal Property is \$269,905 of full cash value.
- **APPEAL PROCEDURES:** Any person who believes the valuation or property classification of business property to be erroneous or excessive may file an appeal with the Assessor. The Personal Property Petition for Review of Valuation Form (DOR 82530) is available at each County Assessor's Office.
- **PERSONAL PROPERTY MANUAL:** The Personal Property Manual and form DOR 82530 are both available on the Department of Revenue website at <https://www.azdor.gov>.

RCNLD: Acronym for Replacement Cost New Less Depreciation. RCNLD is calculated for each item or group of personal property. Once totaled, they become the Full Cash Value for the account.

CALCULATING RCNLD: Using the Valuation Table Index, found in chapter 6 of the Personal Property Manual, determine the appropriate Valuation Table and Life Year for each type, class or item of personal property. The valuation tables list percent good valuation factors by year acquired. Multiply acquisition cost by the percent good to apply depreciation. The result is the RCNLD. For detailed instructions on completing this calculation [click here](#). It is also in the Personal Property Manual.

ACQUISITION COST x PERCENT GOOD = RCNLD

TOTAL ACQUISITION COST: Includes equipment cost plus costs such as freight and transaction privilege tax (sales/use tax). It also includes installation costs for such additional items as wiring, plumbing, air conditioning, or structural support required to accommodate the equipment. The report should include expensed and fully depreciated equipment remaining in your possession.

LIFE YEAR: Number of years that personal property in each category is typically retained for use with normal maintenance.

PERCENT GOOD: The value of an item, expressed as a percentage of its replacement cost after depreciation of all kinds is deducted.

DEPRECIATION: For property tax appraisal purposes, depreciation is defined as a loss in value caused by normal use. It is not related to accounting depreciation which represents cost recovery.

ADDITIONAL DEPRECIATION: To determine the property's eligibility, it is necessary that it be identified as:

Qualified: Business property initially assessed in Arizona in 1994 OR LATER qualifies for additional depreciation. This does not include property that escaped taxation which should have been initially assessed prior to 1995.

Non-Qualified: Examples include equipment transferred from another location in Arizona, and used equipment purchased in Arizona. Property acquired through the purchase of an existing business may qualify if original cost basis is used.

DOR 82520-I (Revised 11/2024)

FCV: Acronym for Full Cash Value. FCV represents market value for property in most cases. This amount is the basis for tax bills. Pursuant to Arizona Revised Statute § 42-13304.1., the full cash value of personal property, other than mobile homes, shall be used for all purposes in lieu of limited property value.

NET FCV: Account value for taxation after any applicable exemption is applied.

VALUATION TABLES: Found in the Personal Property Manual, these tables list the recommended "percent good" for various property types.

FORM INSTRUCTIONS

SECTION 1: Do not make changes in the mailing address area. Use section 1 for changes to the owner's name or address or if this is a NEW BUSINESS REPORTING FOR THE FIRST TIME. If you are reporting a new business or new location, it is necessary to report your business property as of the date your business began operations. It is also necessary to report your business property as of December 31, which becomes the basis for the next year's valuation.

SECTION 2: DO NOT MAKE CORRECTIONS IN THIS SECTION. Make corrections in Section 3 **ONLY**.

NOTE: Enter your business name and taxpayer/account number at the top of the reverse side of the DOR 82520.

SECTION 3: ADDITIONS AND DELETIONS

A complete asset list may be submitted in lieu of completing this section. The asset list should include items listed on the Fixed Asset listing, Federal Depreciation Schedules and Income/Expense Statements. Section 179 and fully depreciated assets still retained should be included. This list must clearly identify any items on the list as property acquired in earlier years but not reported on prior statements. By reporting such omissions, no penalty will be imposed.

FOR ADDITIONS: Enter the year acquired, whether the equipment was acquired new or used and enter the total acquisition cost in the appropriate category column acquisition cost for each item or class of personal property acquired during the prior year which was owned, possessed or controlled as of December 31, 2024.

For equipment acquired as part of a business purchase: You may continue to use the prior owner's cost basis if you have access to the books and records of the prior owner. THE ASSESSOR CANNOT PROVIDE THIS INFORMATION. If the records are not available, report the equipment as a non-qualified bulk purchase using your acquisition cost.

FOR DELETIONS: Enter a description of the disposed property, the year it was originally acquired and an acquisition cost.

SECTION 4: ADDITIONAL INFORMATION REQUIRED

LEASED OR RENTED PROPERTY. List ALL leased or rented business property. Include the name and address of the owner or lessor, whether the property is an "Addition" or "Deletion," property description, lease number, date of lease, total cost, date acquired, and annual rent. Also indicate whether or not the property has been previously assessed in Arizona. A "**LEASE**" is a contract, usually in the form of a written agreement, giving the right to use the property for a certain length of time, usually by paying rent. The owner of the personal property is responsible for payment of the tax.

UNOWNED PROPERTY. Provide the name and address of the owner and a brief description of the property.

GOVERNMENT-OWNED LAND. If your business is located on government property, attach a list providing the name and address of the government agency.

SECTION 5: AFFIRMATION OF PROPERTY STATEMENT AND SELECTION OF EXEMPTION APPLICATION

The owner or agent must sign and date the DOR 82520. Indicate whether this submission is a FULL listing or ONLY property in excess of the exemption amount. This document must be filed with the County Assessor by April 1. If April 1 falls on a Saturday, Sunday or legal holiday, the filing is due on the next business day. If it is not signed, it may be returned to you for completion.

NOTE: ATTACH ANY ADDITIONAL INFORMATION YOU FEEL THE ASSESSOR SHOULD CONSIDER IN THE VALUATION OF YOUR BUSINESS PROPERTY.

TAX YEAR: 2025

2025 ARIZONA AGRICULTURAL BUSINESS PROPERTY STATEMENT
SHADED AREAS FOR ASSESSOR'S USE ONLY

FARM OR RANCH NAME _____ TAXPAYER/ACCOUNT NUMBER _____

Taxpayer is not required to report the value of qualifying personal property that does not exceed the amount of the current year maximum exemption. However, submitting a complete and full report of all assets is advised as it will help to ensure the correct application of the exemption and accuracy of the assessor's valuation. In addition, all personal property statements filed with the assessor may be subject to audit, may be used as evidence in any prosecution brought under A.R.S. § 42-15055, and may be subject to penalty if property is found to have been under-reported or to have escaped taxation. Accounts not subject to filing requirements may be audited. A.R.S. § 42-15052 through § 42-15055 and § 42-11002.

SECTION 3: ADDITIONS AND DELETIONS: ENTER YOUR TOTAL ACQUISITION COST AND YEAR ACQUIRED OR DELETED.

ADDITIONS

Year Acquired	New or Used	Furniture <i>office, store or hotel</i>	Fixtures <i>store, hotel or other</i>	Machinery & Equipment	Computers	Electronic Equipment <i>phones, faxes, TV's</i>	Other <i>Please describe</i>

DELETIONS

Year Acquired	New or Used	Furniture <i>office, store or hotel</i>	Fixtures <i>store, hotel or other</i>	Machinery & Equipment	Computers	Electronic Equipment <i>phones, faxes, TV's</i>	Other <i>Please describe</i>

LEASEHOLD IMPROVEMENTS

Year Acquired	New or Used	Property Description

SECTION 4: ADDITIONAL INFORMATION REQUIRED.

LEASED OR RENTED PROPERTY: Attach a list of all leased or rented property in your possession.

UNOWNED PROPERTY: Attach a list of property located at your place of business which you do not own, rent or lease.

GOVERNMENT OWNED LAND: If located on government property, attach a list providing the government owner's name and address.

☐ By checking here, I am submitting a complete listing and requesting the assessor calculate any applicable exemption amount. I request the exemption be applied in _____ County. If claiming the exemption in multiple counties, submit list with Supplemental Information

By signing below, I hereby affirm that this is a full, true, and complete statement of property that is claimed by, or that is in the possession or control of the undersigned, and it is verifiable from records and files of the above named business.

Print Name of Property Owner or Authorized Agent _____

Date _____

Email Address _____

Signature of Property Owner or Authorized Agent _____

Phone _____

If claiming exemption in multiple counties, include list in Supplemental Information.

SUPPLEMENTAL INFORMATION ATTACHED? YES ☐ NO ☐

TAXPAYER: RETURN ORIGINAL FORM AND COPY BOTH SIDES FOR YOUR FILES

**ARIZONA AGRICULTURAL BUSINESS PROPERTY STATEMENT
TAX YEAR 2025 INSTRUCTIONS****GENERAL INFORMATION**

All owners of personal property must file an Agricultural Business Property Statement if a form, notice, or demand has been sent by the Assessor. It must be filed annually by April 1. If April 1 falls on a Saturday, Sunday or legal holiday, the filing is due on the next business day. The term "Business Property" identifies property used for commercial, industrial, and agricultural purposes. It includes personal property improvements on possessory rights (I.P.R.'s), and certain leasehold improvements. Under Arizona law, all such property is subject to property taxes, except for certain goods and materials considered to be inventory and ultimately held for resale, and certain specified animals. Business property is valued at its full cash value as of the current year. Any difference in acquisition cost as found on the books and records from that reported will be considered escaped property. Escaped property may include under-reported or unreported property. Escaped property is subject to taxation, interest, and applicable penalties for a period of three years from the date the notice of escaped property was mailed by the Assessor.

If duplicate forms are received, contact the County Assessor. A separate return must be filed for each location. If the form is not addressed to the current business owner, return it to the Assessor's Office and request a corrected form.

- **EXEMPTION AMOUNT:** Pursuant to Arizona Revised Statute § 42-11127, for Tax Year 2025 the exemption for Commercial and Agricultural Business Personal Property is \$269,905 of full cash value.
- **APPEAL PROCEDURES:** Any person who believes the valuation or property classification of agricultural business property to be erroneous or excessive may file an appeal with the Assessor. The Personal Property Petition for Review of Valuation Form (DOR 82530) is available at each County Assessor's Office.
- **PERSONAL PROPERTY MANUAL:** The Personal Property Manual and form DOR 82530 are both available on the Department of Revenue website at <https://www.azdor.gov>

RCNLD: Acronym for Replacement Cost New Less Depreciation. RCNLD is calculated for each item or group of personal property. Once totaled, they become the Full Cash Value for the account.

CALCULATING RCNLD: Using the Valuation Table Index, found in chapter 6 of the Personal Property Manual, determine the appropriate Valuation Table and Life Year for each type, class or item of personal property. The valuation tables list percent good valuation factors by year acquired. Multiply acquisition cost by the percent good to apply depreciation. The result is the RCNLD. For detailed instructions on completing this calculation [click here](#). It is also in the Personal Property Manual.

ACQUISITION COST x PERCENT GOOD = RCNLD

TOTAL ACQUISITION COST: Includes equipment cost plus costs such as freight and transaction privilege tax (sales/use tax). It also includes installation costs for such additional items as wiring, plumbing, air conditioning, or structural support required to accommodate the equipment. The report should include expensed and fully depreciated equipment remaining in your possession.

LIFE YEAR: Number of years that personal property in each category is typically retained for use with normal maintenance.

PERCENT GOOD: The value of an item, expressed as a percentage of its replacement cost after depreciation of all kinds is deducted.

DEPRECIATION: For property tax appraisal purposes, depreciation is defined as a loss in value caused by normal use. It is not related to accounting depreciation which represents cost recovery.

ADDITIONAL DEPRECIATION: To determine the property's eligibility, it is necessary that it be identified as:

Qualified: **Agricultural Business property initially assessed in Arizona in 1995 OR LATER** qualifies for additional depreciation. This does not include property that escaped taxation which should have been initially assessed prior to 1995.

Non-Qualified: Examples include equipment transferred from another location in Arizona, and used equipment purchased in Arizona. Property acquired through the purchase of an existing business may qualify if original cost basis is used.

FCV: Acronym for Full Cash Value. FCV represents market value for property in most cases. This amount is the basis for tax bills. Pursuant to Arizona Revised Statute § 42-13304.1., the full cash value of personal property, other than mobile homes, shall be used for all purposes in lieu of limited property value.

NET FCV: Account value for taxation after any applicable exemption is applied.

VALUATION TABLES: Found in the Personal Property Manual, these tables list the recommended “percent good” for various property types.

FORM INSTRUCTIONS

SECTION 1: Do not make changes in the mailing address area. Use section 1 for changes to the owner’s name or address or if this is a NEW BUSINESS REPORTING FOR THE FIRST TIME. If you are reporting a new business or new location, it is necessary to report your business property as of the date your business began operations. It is also necessary to report your business property as of December 31, which becomes the basis for the next year’s valuation.

SECTION 2: DO NOT MAKE CORRECTIONS IN THIS SECTION. Make corrections in Section 3 **ONLY**.

NOTE: Enter your farm/ranch name and taxpayer/account number at the top of the reverse side of the DOR 82520A.

SECTION 3: ADDITIONS AND DELETIONS

A complete asset list may be submitted in lieu of completing this section. The asset list should include items listed on the Fixed Asset listing, Federal Depreciation Schedules and Income/Expense Statements. Section 179 and fully depreciated assets still retained should be included. This list must clearly identify any items on the list as property acquired in earlier years but not reported on prior statements. By reporting such omissions, no penalty will be imposed.

FOR ADDITIONS: Enter the year acquired, whether the equipment was acquired new or used and enter the total acquisition cost in the appropriate category column acquisition cost for each item or class of personal property acquired during the prior year which was owned, possessed or controlled as of December 31, 2024.

For equipment acquired as part of a business purchase: You may continue to use the prior owner’s cost basis if you have access to the books and records of the prior owner. THE ASSESSOR CANNOT PROVIDE THIS INFORMATION. If the records are not available, report the equipment as a non-qualified bulk purchase using your acquisition cost.

FOR DELETIONS: Enter a description of the disposed property, the year it was originally acquired and an acquisition cost.

SECTION 4: ADDITIONAL INFORMATION REQUIRED

LEASED OR RENTED PROPERTY. List ALL leased or rented business property. Include the name and address of the owner or lessor whether the property is an “Addition” or “Deletion,” property description, lease number, date of lease, total cost, date acquired, and annual rent. Also indicate whether or not the property has been previously assessed in Arizona. A “**LEASE**” is a contract, usually in the form of a written agreement, giving the right to use the property for a certain length of time, usually by paying rent. The owner of the personal property is responsible for payment of the tax.

UNOWNED PROPERTY. Provide the name and address of the owner and a brief description of the property.

GOVERNMENT-OWNED LAND. If your business is located on government property, attach a list providing the name and address of the government agency.

SECTION 5: AFFIRMATION OF PROPERTY STATEMENT AND SELECTION OF EXEMPTION APPLICATION

The owner or agent must sign and date the DOR 82520A. Indicate whether this submission is a FULL listing or ONLY property in excess of the exemption amount. This document must be filed with the County Assessor by April 1. If April 1 falls on a Saturday, Sunday or legal holiday, the filing is due on the next business day. If it is not signed, it may be returned to you for completion.

NOTE: ATTACH ANY ADDITIONAL INFORMATION YOU FEEL THE ASSESSOR SHOULD CONSIDER IN THE VALUATION OF YOUR BUSINESS PROPERTY.