

**Business Personal Property Frequently Asked Questions**

**1. Why did I receive a Business Property Statement -Form 571-L (BPS)?**

You were sent a statement because our records indicate that you were in business on the lien date, January 1, and the Assessor is required to assess any taxable business personal property in your possession on that date.

**2. What is the purpose of the Business Property Statement (BPS)?**

The BPS collects information regarding business equipment, supplies and fixtures for each business location. The information an owner provides on the statement is then used to assess property in accordance with California law. The owner reports the acquisition costs of business equipment, supplies and fixtures that were owned on lien date at the address shown (location of the property). All 58 California county Assessors mail out similar statements that enable businesses to report the cost of their equipment, supplies, leased equipment, real property and improvements.

**3. Who must file a Business Property Statement (BPS)?**

If the Assessor sends you a BPS or request to file, the law requires that you do so. Any business that owns Personal Property and/or Fixtures having a total combined cost of \$100,000 or more is required to file a BPS even if the Assessor does not request that you file one.

**4. What is business personal property?**

Business Personal Property includes all supplies, equipment and any fixtures used in the operation of a business. Business inventory and licensed vehicles (except Special Equipment, 'SE' tagged, off-road vehicles) owned by the business are exempt from reporting. Note: SE tagged and other off-road vehicles and equipment are taxable personal property and must be reported.

**5. Why do I have to pay taxes on my Business Property?**

The California Constitution (Section XIII, Article 1) provides that all tangible property is taxable unless it is otherwise exempted by the Constitution or by the legislature. Some forms of personal property are exempt from taxation under the Constitution. For example, household furnishings, personal effects and business inventory are exempt under the law. However, Business Personal Property is not exempt under the law and neither are privately or commercially-owned boats or aircraft.

**6. What is the tax rate on personal property?**

Throughout California, the property tax rate is 1% of assessed value (also applies to real property) plus any bonded indebtedness approved by the taxpayers.

**7. I do not own the real property. Do I still need to fill out the BPS?**

Yes. Even if you don't own the real property where your business is located, you must still file the BPS because it is used to report business personal property (equipment, supplies, etc.) you do own. You must also complete any related schedules that apply to your particular business. If you do not own the real property, you may not need to complete Schedule B, columns 1, 3, and 4. If you own or have added any tenant-owned improvements, you will need to report their costs in column B-2 (see official instructions for the 571-L).

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### **8. How is the assessed value of my business property determined?**

The Assessor is required to annually assess most taxable personal property at 100% of its lien date, fair market value. In order to determine fair market value, the assessor employs a number of methodologies. For example:

- The Assessor may rely on various trade publications and 'Blue Books' that provide current, open market sales price and/or cost data for various types of both new and used equipment, vehicles, aircraft and boats.
- The Assessor trends owner-reported costs to a present replacement cost estimate using trending tables provided by the State Board of Equalization. We then reduce the trended costs to reflect normal or actual depreciation and derive a market value estimate.

### **9. What happens if I do not return the BPS or return an Incomplete BPS?**

**Failure to File:** Where a BPS is not filed as required by law or requested by the Assessor, then the Assessor relies on the best information available in order to estimate the value of any personal property owned by the non-reporting business. In the absence of a BPS, an 'average' assessed value (based upon businesses of a similar size and use) may be used to derive such an estimate. Our office may also perform a field inspection of your business property, during which an estimate of the lien date, fair market value of the business personal property discovered will be made. Additionally, a 10% penalty must also be added to any assessment made as a result of a failure to file the BPS.

**Incomplete Filing:** If you file an incomplete BPS, the Assessor may return it to you for proper completion. In that case, penalties may be assessed if the Assessor's Office does not receive a properly completed BPS by the due date. An incomplete filing is treated the same as a 'failure to file' and a 10% penalty must be added in that circumstance.

### **Completing the Business Property Statement**

#### **10. All the equipment I use is my own personal equipment; must I report it?**

If you are using any 'personal' equipment in your business, then yes, it must be reported. For example, persons working out of their homes must report personal desks, computers, calculators etc, if those items are used in their business. Other examples include:

- Example 1: Someone operating an auto repair shop is using their own 'personal' tools in the business. In this case, such tools become assessable as business personal property and must be reported.
- Example 2: A home business or auto repair shop goes out of business prior to January 1. In this case, any equipment previously used in the business that could revert back to 'personal' use is no longer taxable. Such items become nontaxable because they revert to being 'Household Furnishings or Personal Effects,' which are exempt.
- Example 3: A grocery store goes out of business prior to January 1st but equipment such as freezer boxes and store shelving remains in the building on that date. Those items would still be taxable and must be reported even though the business was closed on the lien date. That is because the equipment could not be used as 'Household Furnishings or Personal Effects.'

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**11. All the equipment I use was given to me and I don't know what to report?**

Where the equipment you use in your business was acquired as a gift, you may report your estimate of its current market value on the BPS (that is, what you think it would sell for in the open market place). Enter that estimated value in the most current year's cost line and add a note indicating that the entry is an estimate.

**12. Most of the equipment I use does not belong to me; a friend is letting me use it and I have no idea what it cost. Must I report their equipment on my BPS?**

Yes. The BPS must show all taxable property owned, claimed, possessed, controlled, or managed by the person filing the form. If you are responsible for paying the tax on the equipment, then you may estimate its value (see question #11) and report it on the BPS. On the other hand, if you are not responsible for its tax, then you should declare the equipment in Part III of the BPS (Equipment belonging to others). Where equipment is declared in Part III of the BPS, the Assessor will also send a BPS to the person who you report as the equipment's actual owner.

**13. I only rent an office and all of the furniture and equipment belongs to the landlord. Do I still have to complete the BPS?**

Yes. In this case, you need to write a remark about that circumstance on the BPS, or on an attachment to it. Also fill out Part III (Equipment Belonging To Others) of the form, and then sign and return it to the Assessor's Office. If you own any small equipment, such as a printer, copier, supplies, etc., that you are using in the business, you should report these costs under Part II of the BPS.

**14. What is a supply item?**

Any item that you are consuming in your business, such as office supplies, pencils, paper, etc., is a supply item. If you are a manufacturer, supplies do not include anything that becomes a part of the finished product. You should report the cost of the supplies on hand as of 12:01 a.m., January 1st. If you do not have an accurate record, you may estimate.

**15. Can I just write 'Same as Last Year' on the BPS and return it?**

No. You must report personal property holdings in detail and as requested or mandated. If nothing has changed from the prior year (no equipment was purchased or sold), then you may refer to your prior year's BPS filing in order to be consistent in completing the current BPS.

**16. I do not own anything and lease all my equipment. Must I still complete a BPS?**

Yes. You are required to report this information in Part III of the BPS so that the Assessor can properly locate and assess the actual owner for the equipment.

**17. I have a business in my home. Do I still have to complete the BPS?**

Yes. Any equipment used for a home business is considered to be business personal property and must be reported on the BPS.

**18. I am a hairdresser and rent space from the salon owner? Do I still need to complete the BPS?**

Yes. Note these facts on the BPS, or on an attachment to it, and include the name and address of the business that actually owns the equipment. Then sign the BPS and return it. You also need to report any equipment you might own in Part II of the BPS.

**19. My business/organization is exempt. Do I still need to complete the BPS?**

Yes. You still are required to complete the BPS even if you are an exempt organization.

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## **20. What happens if I simply refuse to file a Business Property Statement?**

In such a circumstance, you need to be aware that a number of penalties may apply:

- If a property owner refuses to comply with a lawful, written request for information from the Assessor, then Revenue and Taxation Code Section 501 requires the Assessor to estimate the value of their taxable property and then promptly assess it with whatever information is available.
- If the refusal also includes a failure to file or incomplete filing of the BPS, then the Assessor must also add a 10% penalty under Revenue and Taxation Code Section 463
- If an owner willfully conceals, fails to disclose or misrepresents tangible personal property, an additional 25% penalty may be added under Revenue and Taxation Code Sections 502 & 504.
- Under Revenue and Taxation Code Section 503, a 75% penalty may also be added to an assessment for any fraudulent acts or omissions committed by the owner or their agent. Revenue and Taxation Code Section 462 also tells us that any person who refuses to make available to the Assessor information lawfully requested in writing by the Assessor pursuant to Revenue and Taxation Code Section 441 is guilty of a misdemeanor punishable by up to six-months in the county jail and a fine of up to \$1,000.

## **21. How do I request copies of prior year filings?**

The owner or their agent may request copies either in person or in writing.

*Note: If an agent is requesting copies or other information about a taxpayer's account, they must first file a letter of authorization appointing them as the owner's agent. That letter must be an original copy bearing the original signature of the owner and the owner's phone number. If the owner is a corporation or business, the letter of agency must be on the company's official stationery and signed by an officer of the corporation.*

## **22. I went out of business on January 15th. Do I still have to complete the BPS and pay personal property taxes?**

Yes. The law specifies that all taxable personal property must be assessed as of a specific point in time, and that point is precisely at 12:01 A.M. January 1, regardless of what transpires after that date. Even if closed shortly after the lien date, a business must still file a BPS and pay taxes for the coming fiscal year on any taxable property they owned on the lien date.

## **23. I was not open for business on January 1. Do I still have to complete the BPS?**

Yes. A business does not have to be open for its taxable personal property to be subject to assessment. For example, let's presume that on the lien date, January 1, a new pizza parlor is under construction and nearly ready for its grand opening. Even though the pizza parlor was not open for business on the lien date, taxable business personal property (such as furniture, ovens and supplies) was in the owner's possession on the lien date and the Assessor is required to assess it.

## **24. I went out of business prior to January 1. Do I still have to complete the BPS?**

Yes. Anytime a person receives a BPS from the Assessor and their business is no longer in operation, the BPS must still be signed and returned to the Assessor. You should also include a note on the BPS indicating that the business has closed. If you don't, the Assessor will not be aware of that fact and may continue to assess the property despite its true circumstance. On the

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BPS or an attachment to it, please write a note that includes the date you went out of business, as well as the status and disposition of any equipment owned or used by you at the time the business closed. If any of the property was sold to another person or business, please indicate the buyer's name and address. If any of the property reverted to your own personal use as household personal property, we need to know what property did that as well. Then sign and return the BPS to the Assessor's Office.

*Note: Where a business has closed but you still own equipment previously used in the business, it may still be taxable despite the fact the business is closed (see question #10 for an example). If the equipment you still own can be converted to household uses (that is, could become your personal effects), then it may not be assessable (see question #10).*

**25. All I have is a business phone number. I'm no longer in business and I'm not conducting any other business at the present time. Must I still file the BPS?**

Yes. Please note those facts on the BPS, or attachment to it, and return the signed BPS to the Assessor's Office. The Assessor needs to know these facts in order to prevent an improper assessment from being issued to you.

**26. Although I have a license to do business, I haven't purchased any equipment or conducted any business as yet. Must I still file the BPS?**

Yes. Please note those facts on the BPS, or attachment to it, and return the signed BPS to the Assessor's Office. The Assessor needs to know these facts in order to prevent an improper assessment from being issued to you.

**27. I am only an employee of the company and I don't own any business personal property myself. Must I still file the BPS?**

Yes. Please note those facts on the BPS, or attachment to it, and return the signed BPS to the Assessor's Office. Also include the name of the company you work for and its mailing address. The Assessor needs to know these facts in order to prevent an improper assessment being issued to you.