

COUNTY OF MONTEREY ASSESSOR
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SHORT-TERM OR VACATION RENTAL BUSINESS PERSONAL PROPERTY TAXATION FREQUENTLY ASKED QUESTIONS (FAQ)

1. What is the 571-L form and why did I receive a notice to file?

The 571-L is a State of California tax form required to be completed by rental businesses, including Short-Term Rental businesses. You received this form because as of January 1, you were a registered business within the County of Monterey, or it became known to our office that you are engaging in property rental activity. Rental of all or a portion of your property, including a residential unit, *means that you are subject to business property tax assessment on furnishings, including furniture, appliances, equipment, and supplies used in the rental activity.* The California Revenue and Taxation Code Section 441 (a) requires business owners with personal property of less than \$100,000 in value to file a property statement (i.e., Form 571-L) upon the Assessor's request.

2. Why are you taxing my furnishings in my Short-Term Rental, including my furniture?

Under the State Constitution, all property is subject to property tax unless otherwise exempt. In California, numerous types of property are subject to taxation. The most common property subject to taxation is real property, usually thought of as land and improvements or buildings. *A second type of taxable property is business personal property, which is property used to operate a business. (A short-term rental is considered a registered business and therefore personal property used to operate the business is taxable)* For example, items such as furniture, kitchen appliances, and washing/drying machines in rentals are considered business personal property. For more information on the taxation of business property, please go to www.co.monterey.ca.us/BPS.

3. I never received this before, why am I receiving this now, and why must I file by May 7th?

Property used in all businesses, including short-term rental residential rental businesses, is subject to property tax unless an exemption applies. *You received a notice to file a 571-L form because you pay TOT to the county. The form 571-L is due on April 1, this year. The last day of file without incurring a penalty is May 7, each year. The penalty for filing after May 7th, or not filing at all, is 10% of the total assessed value.*

4. What do I need to report on the 571-L form?

You are required to report the cost and acquisition year of all physical assets used in the rental activity. *This includes, but is not limited to, the cost and acquisition year of each piece of furniture, equipment and supplies used in renting your residence, including furnishings from the kitchen, living room, dining room, and bedroom(s), such as televisions, computers, bed frames, mattresses, tables, chairs, stoves, fridges, appliances, dish washers, clothes washers and dryers, entertainment units, artwork, linens, dishes, kitchen and cooking utensils and any other property that you provide to your renters as part of the rental activity. Reportable supplies would include cleaning supplies, office and computer supplies necessary to advertise or book the rental, and any other supplies routinely used during rental operations.*

5. How do I report on Form 571-L form?

The Form 571-L is used for many types of businesses and it therefore very general. We suggest you use Schedule A, column 2 "office furniture and equipment" for all furnishings, kitchen, living room, dining room, bedroom, mattresses, tables, chairs, and entertainment units. Column 3 "other equipment" can be used for appliances,

kitchen, washing/drying machines, stoves, fridges, dish washers, and microwaves. Column 4 “Tools, molds, dies, and Jigs” can be used to report televisions and audio/video equipment.

6. How is the taxable assessed value determined?

Business property is assessed each year. The assessed value of business property is based on the full cost of the asset, which includes, but not limited to, sales tax, freight and installation. The Assessor applies a State Board of Equalization valuation factor to the asset cost to determine the assessed value, while taking into account depreciation. The State Board of Equalization provides a valuation schedule based on the expected economic life of different assets. For short-term rental businesses that fail to file their Form 571-L before May 7, an estimate based on the size of the property will be made and a 10% penalty will be added to the valuation. The assessed value is used to determine the tax due by multiplying the assessed value by the applicable tax rate. For example, *If the Business Personal Property tax rate is 1%, and the business personal property assessed value is \$10,000,* property taxes on business assets are approximately \$100. The Office of the Treasurer-Tax Collector is responsible for billing and applying the tax rate.

7. I did not buy new furniture for the rental room(s). I used old furniture from my house. How do I report the cost?

Use your best knowledge to estimate the year each item was purchased, and your total cost (including sales tax, freight, and installation)

8. The furniture in the rental room is old. Can I report that it has zero value?

No. You are required to report the original acquisition cost and acquisition year of the assets even if they are old. If you don't know the acquisition cost and year, use your best knowledge to estimate the year each item was purchased, and your total cost (including sales tax, freight, and installation).

9. I only rent out my residence on a part time basis, or sometimes only 1 room of my residence. Do I need to file the 571-L form?

Yes. You are required to file the 571-L form if you are engaged in any rental activity. You are also required to report property within the rented room, and any property in other rooms (e.g., bathroom, kitchen, living room, and laundry room) that your guests are permitted to use.

10. I discontinued my rental business prior to January 1. Do I need to file the 571-L form?

You are still required to file the 571-L form and indicate that you closed the business and the date of closure in the remarks section found on page 3. In addition, you must close your TOT account with the Office of the Treasurer-Tax Collector.

If you have any further questions, please call the Business Division of the Assessor's Office at (831) 755-5035.