



STATE OF WEST VIRGINIA

Department of Revenue
State Tax Department

Earl Ray Tomblin
Governor

Mark W. Matkovich
State Tax Commissioner

ADMINISTRATIVE NOTICE 2014-12

FILED
2014 JAN 29 P 2:33
OFFICE WEST VIRGINIA
SECRETARY OF STATE

SUBJECT: Property Tax -- State Tax Commissioner's Statement Concerning Primary Reliance on the Cost Approach to Value for Appraisals of Industrial Personal Property (i.e. Machinery, Equipment, Furniture, Fixtures, and Leasehold Improvements) pursuant to § 110 CSR 1P-2.5.3.1.

On July 26, 1991, the State Tax Department filed Legislative Rule §§ 110 CSR 1P-1, *et seq.* relating to the appraisal of industrial machinery, equipment, furniture, fixtures, and leasehold improvements. This notice will address the Tax Commissioner's primary reliance on the cost approach to value when appraising industrial machinery, equipment, furniture, fixtures, and leasehold improvements, for property tax purposes.

DISCUSSION

There are three (3) generally accepted approaches to value that must be considered when estimating market value of property for ad valorem tax purposes. These are the cost, market, and income approaches. These approaches to value must be considered and should be developed, if appropriate, to properly estimate market value in compliance with generally accepted appraisal principles. The following is a brief discussion of these three (3) approaches to value and their potential use when estimating the market value of industrial machinery, equipment, furniture, fixtures, and leasehold improvements for ad valorem tax purposes.

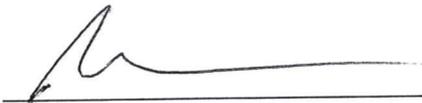
MARKET APPROACH

The market approach to value is based upon the assumption that the recent selling price of comparable properties if properly analyzed and adjusted, if appropriate, will yield a reasonable estimate of current market value. This valuation approach is widely employed in the appraisal of residential real estate where a considerable number of properties transfer on a reasonably frequent basis. Industrial machinery, equipment, furniture, fixtures, and leasehold improvements sell infrequently and are often liquidation sales, which typically are not at market value. The market approach to value is of little, if any, use in appraising industrial personal property due principally to the lack of a sufficient number of meaningful sales to statistically support development of the approach.

The Tax Commissioner uses the *Marshall Valuation Service*, an appraisal guide, as the source of information for the trend and depreciation tables and provides this information to all fifty-five counties as a guide for the appraisal of personal property. The *Marshall Valuation Service* is compiled, published and updated quarterly by Marshall and Swift of Los Angeles, California. The *Marshall Valuation Service* has a circulation of users in all 50 states, plus the District of Columbia, Puerto Rico, Guam and Canada. Users include independent appraisers, insurance companies, savings and loan associations, banks, architects, developers, accountants, assessors and engineers.

For further discussion concerning the use of a cost approach appraisal, or use of the *Marshall Valuation Service*, please direct your inquiries to the Property Tax Division of the State Tax Department at telephone number (304) 558-3940.

Issued: January 29, 2014



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West Virginia State Tax Department

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