



North Carolina Department of Revenue

Pat McCrory
Governor

Jeffrey M. Epstein
Secretary

December 29, 2016

MEMORANDUM

To: Users of the Cost Index and Depreciation Schedules

From: David B. Baker, MPA, PPS
Director, Local Government Division

Re: 2017 Cost Index and Depreciation Schedules

This letter serves as notice that the Cost Index and Depreciation Schedules for the 2017 tax year are available and are attached. We will have the Cost Index and Depreciation Schedules available on the website as soon as possible. Our publication website is:

www.dornc.com/publications/property.html.

We recommend the use of these schedules in the valuation of business personal property and certain taxable personal property listed as of January 1, 2017.

There were no changes this year, other than the usual percent good factor adjustments. These adjustments are for appraisals as of January 1, 2017 and forward only and are not retroactive. Following are a few reminders:

- 1) Regarding the major category, "TEXTILE MILL PRODUCTS", the special A-8 and A-10 textile schedules have now been phased out. Counties can continue to apply the 5% residual to equipment acquired in 2009 and earlier if they have deemed it appropriate. For older technology textile mill equipment in use, we recommend considering Attachment 1 of this memo (which is where the special A-8 and A-10 schedules were relocated) as appropriate based on your familiarity with the equipment being appraised.
- 2) As a reminder, Schedule N shows a straight-line schedule that depreciates down to zero, for illustrative purposes. However, you should always use a 25% residual when applying Schedule N unless you have analyzed a particular situation and decided to do otherwise.

In 2005, the North Carolina Court of Appeals affirmed the North Carolina Property Tax Commission's decision in the matter of the appeal of Westmoreland—LG&E Partners from the decision of the Halifax County Board of Commissioners for the tax years 1996-2001. In its decision, the North Carolina Court of Appeals opinion quoted excerpts from the Property Tax Commission's decision. The opinion quotes, "The Tax Administrator properly applied the Cost Index and Depreciation Schedules developed by the North Carolina Department of Revenue..." The Court also writes, "It is well-settled in this State that ad valorem tax assessments are presumed correct." This and other previous cases have solidified our opinion that, when used properly, the Cost Index and Depreciation Schedules are well accepted by the Courts.

These schedules have been prepared by this office as a general guide to be used in the valuation of business personal property, utilizing the replacement cost approach to value. It is important to remember that the schedules are only a guide. There may be situations where the appraiser will need to make adjustments for additional, or less, functional or economic obsolescence, or for other factors.

We feel that the proper use of the schedules will aid in the overall uniformity and equity of property tax assessment practices, as required by North Carolina statutes. If you have any questions about these schedules, please contact the Personal Property Division at 919-814-1129.

Attachment 1 - Special Textile Mill Equipment

Year		Life in Years	
Acq'd	Age	8	10
		Percent Good	
2016	1	78	81
2015	2	64	69
2014	3	53	59
2013	4	41	49
2012	5	29	39
2011	6	19	30
2010	7	9	22
2009	8	5	14
2008	9	5	6
Prior		5	5

This 8 and 10 year schedule is for older technology textile equipment only. These schedules reflect additional obsolescence and a 5% residual.