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Sequence Number: 08-07-16
 Notice ID(s): 2572
 File Date: 8/9/16

Notice of Rulemaking Hearing

Hearings will be conducted in the manner prescribed by the Uniform Administrative Procedures Act, T.C.A. § 4-5-204. For questions and copies of the notice, contact the person listed below.

Agency/Board/Commission:	State Board of Equalization
Division:	
Contact Person:	Kelsie Jones, Executive Secretary
Address:	312 Rosa L. Parks Avenue, Suite 900 Nashville, TN 37243-1402
Phone:	615-401-5379
Email:	Kelsie.Jones@cot.tn.gov

Any Individuals with disabilities who wish to participate in these proceedings (to review these filings) and may require aid to facilitate such participation should contact the following at least 10 days prior to the hearing:

ADA Contact:	Amber Velotta
Address:	Ste. 1400, 505 Deaderick St., Nashville, TN 37243-1402
Phone:	615-401-7925
Email:	Amber.Velotta@cot.tn.gov

Hearing Location(s) (for additional locations, copy and paste table)

Address 1:	Legislative Plaza, Room 31		
Address 2:			
City:	Nashville, TN		
Zip:	37219		
Hearing Date :	09/26/16		
Hearing Time:	10.00 am	<input checked="" type="checkbox"/> X CST/CDT	<input type="checkbox"/> EST/EDT

Additional Hearing Information:

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Revision Type (check all that apply):

- Amendment
- New
- Repeal

Rule(s) (ALL chapters and rules contained in filing must be listed. If needed, copy and paste additional tables to accommodate more than one chapter. Please enter only **ONE** Rule Number/Rule Title per row.)

Chapter Number	Chapter Title
0600-05	Assessment of Commercial and Industrial Tangible Personal Property
Rule Number	Rule Title
0600-05-.01	Definitions
0600-05-.02	Discovery

0600-05-.04	Reporting
0600-05-.05	Audit
0600-05-.06	Standard Valuation
0600-05-.07	Nonstandard Valuation
0600-05-.11	Reporting Schedule

Substance of Rule Amendments:

Rule 0600-05-.01 is amended by adding the following language as new paragraphs:

- () “Capitalized expenditure” means costs that are capitalized on the taxpayer’s financial books and records as a fixed asset and either:
 - (a) add to the value or substantially prolong the useful life of property; or
 - (b) adapt the property to a new or different use.
- () “Total acquisition cost” means the full acquisition cost new of personal property and includes freight, installation, set-up, and sales tax.

Authority: T.C.A. §§ 4-3-5103 and 67-5-902.

Rule 0600-05-.01 is amended by deleting paragraph (4) in its entirety and substituting instead the following:

- (4) “Fair market value” of personal property shall be ascertained in accordance with T.C.A. §§67-5-601 and 602.

Authority: T.C.A. §§ 4-3-5103 and 67-5-902.

Rule 0600-05-.01 is amended by deleting paragraph (6) in its entirety.

Authority: T.C.A. §§ 4-3-5103 and 67-5-902.

Rule 0600-05-.01(8) is amended by deleting “manufacturer” and substituting in its place “taxpayer”.

Authority: T.C.A. §§ 4-3-5103 and 67-5-902.

Rule 0600-05-.01(8) is further amended by adding the following language as new sentences:

The determination of whether tangible personal property should be classified as raw material depends on the taxpayer’s use of the property and not on the nature or character of the taxpayer’s business. Tangible personal property may be classified as raw material in the hands of the taxpayer even if the taxpayer is not considered to be a manufacturer under other Revenue code provisions.

Authority: T.C.A. §§ 4-3-5103 and 67-5-902.

Rule 0600-05-.01(11) is amended by adding “reasonable” between “no” and “expectation”.

Authority: T.C.A. §§ 4-3-5103 and 67-5-902.

Rule 0600-05-.02(2)(b) is amended by deleting “telephone book” and substituting in its place “internet”.

Authority: T.C.A. §§ 4-3-5103 and 67-5-902.

Rule 0600-05-.04 is amended by adding the following language as new paragraphs:

- (4) The taxpayer must report the total acquisition cost new of property. The total acquisition cost of all property must be reported as acquired in the year the property was placed in service rather than the year of purchase, if those years differ. The total acquisition cost reported should include the full invoiced cost without deduction for the value of certain inducements such as agreements

and warranties when these inducements are regularly provided without additional charge.

- (5) A capitalized expenditure made with respect to property after the initial acquisition must be reported in the year the expenditure is booked as a fixed asset. The costs of the capitalized expenditure should be reported as they are shown on the taxpayer's financial books and records. Expenses, costs or amounts paid or incurred for incidental repairs and maintenance of property should not be reported.

Authority: T.C.A. §§ 4-3-5103 and 67-5-902.

Rule 0600-05-.05 is amended by adding the following language as new paragraphs:

- (3) Audits shall be conducted in accordance with a plan submitted by the assessor of property and approved by the State Board of Equalization.
- (4) Assessors shall maintain confidentiality of taxpayer information in accordance with T.C.A. § 67-5-402.

Authority: T.C.A. §§ 4-3-5103 and 67-5-902.

Rules 0600-05-.06(1), (2), (3), and (4) are amended by deleting "original cost" and substituting in its place "total acquisition cost" in each section.

Authority: T.C.A. §§ 4-3-5103 and 67-5-902.

Rule 0600-05-.06(2) is further amended by deleting the period between "accounting" and "in" and substituting in its place a comma.

Authority: T.C.A. §§ 4-3-5103 and 67-5-902.

Rule 0600-05-.06(6) is amended by deleting the period between "equipment" and "whether" in the last sentence and substituting in its place a comma. Rule 0600-05-.06(6) is further amended by adding the number "6" between the dash and "04" in the last sentence, so that the statutory reference shall be to T.C.A. § 67-5-604.

Authority: T.C.A. §§ 4-3-5103, 67-5-902 and 67-5-903.

Rule 0600-05-.07(1) is amended by adding the following language after the first sentence:

Types of evidence that may support nonstandard value include: recent appraisals by appraisers holding professional designations in the valuation of personal property from recognized appraisal organizations and authoritative price or valuation guides for subject property.

Authority: T.C.A. §§ 4-3-5103 and 67-5-902.

Rule 0600-05-.11 is amended by deleting "he" in the first sentence and substituting in its place "be".

I certify that the information included in this filing is an accurate and complete representation of the intent and scope of rulemaking proposed by the agency.

Date: 8/9/2016

Signature: Kelsie Jones

Name of Officer: Kelsie Jones

Title of Officer: Executive Secretary

Subscribed and sworn to before me on: 9th August 2016



Notary Public Signature: Shirley Marriott
My Commission expires on: 08 May 2018

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Filed with the Department of State on: 8/9/16

Tre Hargett
Tre Hargett
Secretary of State

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