

California Annual Business Property Tax Returns

571-L, Business Property Statements

When the IRS increased the expensing threshold for capital equipment from \$500 to \$2,500, many organization likely took advantage of this and began to expense larger amounts of equipment and other assets rather than to go through all the work of adding the items to their fixed asset and depreciation schedules.

However, if you are an organization that is doing business in California you will want to make note of a proposed Letter to Assessors, soon to be issued by the State Board of Equalization, in which they make it clear that the State's Revenue and Taxation Code (R&TC) Sec. 441 does not conform to that IRS treatment. According to R&TC 441, the Business Property Statement (BPS) must show all taxable property owned, claimed, possessed, controlled or managed by the filing entity. The BPS includes instructions that indicates that reportable equipment includes items that may be expensed for accounting or tax purposes (such as computers and peripherals) but which for property tax purposes are required to be reported.

Organizations, businesses or accountants in California who prepare annual business property tax statements (BOE Form 571-L) for their clients using information from the company's depreciation schedules, could find themselves under-reporting activity unless they take this into consideration. And, an entity subsequently audited by the County could face substantial "escape" assessments, penalties and interest if they are found to have underreported on their annual return.

With 2015 571-L's due in a few months, now would be the time to evaluate your internal practices to ensure that you are capturing all the information needed to report all assets required under Sec 441. If you have questions or need assistance you should check with your CPA. If you do not have a CPA and you are a member of CMA we would be happy to work with you to find a local CPA who can be of assistance.

DISCLAIMER

This material is presented with the understanding that the author is providing basic information only, and assumes no liability whatsoever in connection with its use. Tax laws are constantly changing, are subject to differing interpretations, and the facts and circumstances in any particular situation may not be the same as those presented here. Therefore, we urge you to do additional research and make sure that you are fully informed and knowledgeable before using the information contained herein.