

Transparency with your Business Personal Property Audit Program

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Possibly the most well-known method of delivering [the mission of the School of Government](#) is through teaching. But to me personally, another very important delivery method is through advising. Last year, 45 faculty and other professionals at the School of Government reported 13,105 advising events. I hope my individual advising can become an increasingly valuable resource for you. I believe I can be more valuable to everyone when you individually ask me to be involved. A couple of weeks ago, I had the opportunity to provide advice on a presentation. The Randolph County commissioners requested the assessor's office to do something that makes government better in my opinion. The request was to be more transparent and informative for their taxpayers, but more specifically regarding the county's business personal property (BPP) tax audit program. The assessor's office was asked to put together a presentation on their program and they asked for my ideas. I want to share some of those ideas so you will hopefully share your thoughts in the comments section and we can grow this resource for everyone's use. Maybe this post can be a tool for collaboration.

The word "audit" alone can be perceived as negative, possibly because of a real or imagined bad experience with the IRS. From my early 20's when I told folks I was with the NC Department of Revenue, I frequently received rolling eyes and the response, "Ahhh, the IRS". However, we need to try to change that perception of what we do and ensure our citizens that customer service, transparency, fairness, and equity are the goals of the local tax office. Perhaps we haven't fully considered the benefits of [citizen engagement and citizen academies](#). Assessment, appeals, and compliance programs might be just the right topic for citizens to know more about and have input into how things might work better. My colleague Whitney Afonso just published a post on [citizen engagement in the budgeting process](#).

Our citizens deserve the best our county can offer with regards to fairness and customer service.

Part of being the best is ensuring that assessments are calculated using correct data. Verifying only real property and motor vehicle data, but not business personal and personal property data, is not uniform and increases the opportunity for a tax base divided among property owners unequally and unfairly.

Here are some thoughts on providing transparency regarding the reasons a BPP compliance program is needed.

1. North Carolina law requires assessors to see that all property is properly listed and assessed in [NCGS 105-312\(b\)](#).
2. Real Property listing and assessment is verified through building permits and site inspections performed by county appraisers. The assessor must also see that real property is properly listed as required in [NCGS 105-303\(b\)\(2\) and \(3\)](#).
3. Motor Vehicle listing and assessment is verified through the Division of Motor Vehicles registration process.
4. The only way to verify Business Personal Property listing and assessment is through a compliance program. As said, it should be a program that is fair and transparent and where customer service is a top priority. A compliance program for BPP assessment includes requiring all owners of taxable BPP to file a return (listing form), and following up with an occasional review of the returns for accuracy. The goal is only to achieve fairness, equity, and the county's compliance with NCGS 105-312(b).

Here are some ideas to illustrate the fairness of a BPP compliance program.



1. Consider that homes and vehicles are owned by many county citizens and those citizens pay the property tax based on verified data such as land and home size for real property. For vehicles, the verified data includes items such as year, make, and model. It would not be fair or equitable to those home owners and vehicle owners if the county did not also

verify the data used in the assessment of taxable business personal property. Data that may be needed for the assessment of BPP includes cost of the business personal property, age, condition, and any other factor that might impact the value of the property. ([NCGS 105-317.1.](#))

2. Without verifying this data, some of the very largest groups of taxable property may inadvertently be assessed too high, or too low. Rather, all of us, government and citizens, should want tax amounts to be calculated using correct data.

Side idea: In a presentation, you might illustrate the above by sharing actual examples from your County of how much value is at stake. You might share the assessed value of the largest BPP taxpayers (you wouldn't have to share the names). You might ask, "Would it be fair to assess the elderly citizen's home at the correct amount, sending certified appraisers to verify the appraisal data of that home, but to assess the largest business personal property owner in the county using data that we don't check or verify for accuracy at all?"



Other ideas for a presentation might be:

Start simple and be willing to answer questions if more detail is needed later. Too much detail in the beginning can confuse things.

You might define what is meant by business personal property in lay terms. We would not want residential taxpayers to think their furniture is taxable, or we're auditing their personal property. Reinforce that we're only talking about non-real property items that are used in connection with a business.

Here is an example of a frequent concern of home-based businesses. "I sell cosmetics out of my house and sit at the kitchen table to complete the orders and I use my own personal computer. Do I have to list my kitchen table and computer?" A practical way to address this concern is to ask how they represent their business to other government agencies. Primarily, do they represent, for income tax purposes, that they have a business? This representation might be through depreciating square footage for a home office, claiming business expenses, or claiming depreciation expense on furniture and the computer. In other words, for practical purposes, request that home-based businesses be fair through consistency.

You might also mention whether your county has a [minimum bill](#) amount and how much value would trigger a bill at all.

If it is true, suggest that given the county's limited resources, we are not interested in auditing small home-based businesses at all. No concerns there.

Finally, I'll close with a story that you might use at an appropriate time.

Imagine we have all decided to go to dinner together for a celebration. Some of us order appetizers, some order drinks, some get expensive meals, some do not. About an hour into the meal, several of our dinner party get up and excuse themselves. Each one politely says they've had a nice time, and goodnight. You have stayed. The bill comes.....the bill reflects the expenses of the entire party, and it all must be paid. But the ones that departed early did not pay their fair share. You stayed and when the bill is split, you have to pick up the share of those that left early. How does that make you feel? Is that fair? Is that equitable? A compliance program is the best attempt at ensuring that everyone pays their fair share of the expenses. The expenses do not decrease when some in the party leave without paying their share.

If you are a homeowner or auto owner, you will pay more than your fair share of the budget if we inadvertently miss assessed value in taxable business personal property.

If you are a business owner, you may be paying more than your fair share if you are over-reporting or reporting incorrectly. Debra Hill, Tax Administrator in Randolph County, shared that even though there was some hesitation before including farmers in their compliance program, the county was able to help many farmers who were reporting equipment that had been disposed of many years ago. A good compliance program complies with our law by doing things fairly and helping taxpayers.

Next week we'll have a guest blog post from a county which has found great success in their present use value auditing program. I hope you'll check it out and comment on the posts.