From:	Keith Miller
To:	Alfred Whitesides; Brownie W. Newman; Ellen M. Frost; Jasmine Beach-Ferrara; Joe Belcher; Mandy Stone; Mike Fryar; Robert Pressley
Cc:	Diane Price
Subject:	Audit Program for Business Personal Property
Date:	Thursday, March 15, 2018 10:04:00 AM

Mr. Chairman, Commissioners, County Manager,

I would like to share some information with you about a new audit program for our business personal property. But first I'll give you some information why this is important.

The assessment of property values is comprised of five components of value. The County assessor is responsible for the assessment of four of those components. The five components of property value will generate the total taxable property value within the County. These five components are: real property, individual personal property, business personal property, registered motor vehicles and public service. Public service valuation is not the responsibility of the County assessor. Public service assets are valued by the North Carolina Department of Revenue using an enterprise valuation methodology. Each of the taxable components bring their own challenges related to valuation and equity in the assessments.

As you are well aware, Buncombe County is required to conduct a revaluation of all real property at least every eight years. Buncombe County has been on a four years cycle with real property revaluation for many years. Real property revaluation is not only for the purpose of valuing all property at current market value. Revaluation also assures equity in the assessments and fairness to our citizens. Equity in the assessments assure no citizen is paying more or less than their fair share and no socioeconomic group assumes more of the tax burden. This concern for fairness, equity in assessment and assessment of fair market value is the same for each component of value. But each component requires some variation in the methodology.

Business personal property, unlike real property, is self-reporting. For example, our real property appraisers receive building permits which trigger a revaluation of the property because of these new real property assets. This process in the real property valuation helps to assure equity in the assessments. Again, this process assures each property owner is taxed their fair share based on the value of the real property asset. Business personal property valuation process is much different. The business personal property valuation does not have a revaluation component to assure equity in the assessment. However, the process does allow for auditing of the business assets to assure fair market value and equity. When a business owner purchases new machinery and equipment the assessor has no notification process to assure that asset gets appraised. The valuation of business personal property relies on the business owner to report new assets on the listing form each January. The valuation methodology is based on a self-reporting process or maybe better described as the "honor system". This process of self-reporting creates a margin of error by allowing over and under valuation of the assets or the assets escape taxation totally. Business owners often don't understand what assets need reported or just forget to add new assets to the listing each year. This process of self-reporting can create inequity and loss of value in the assessments.

Overcoming the inherent inequity issue in the business listing process, along with assuring fairness and equity to not only the citizens but the County, is important to the assessment staff. Therefore, on April 1, 2018 we will implement a business personal property audit program in conjunction with our contractor Tax Management Associates (TMA). The audit program is nothing new to the County or our business owners. The program will produce results much like the real property revaluation process. We have been conducting these audits for many years but no audit has been completed since 2012. This audit program will assure, just like real property revaluations, equity in the assessments and fair market valuations. All businesses will be audited sometime within the next five years. TMA will assist with the audits on accounts that currently have an assessed value of $50,000 or greater. TMA has over 45 years' experience conducting these audits in North Carolina. They have a team of accountants (CPAs) and business appraisers on staff that will work professionally with every business. The remaining audits under the $50,000 value will be completed by the County business appraisers.

This communication is an effort to make each of you aware that we will start this new audit program. Please call or email if you have any questions or would like more detail about the audit program. If you have businesses contact you with questions you may forward those to me and I would be happy to explain the process to anyone concerned. I will at regular intervals, or as requested, report to the County Manager the progress of the audit program.

I have included for your review a list of eight businesses that TMA will audit first as the program begins. I share this data to show you an example of businesses that will be selected. Although the selection below contains some of our larger corporations the future selections will contain businesses that not only represent our largest corporations but also many of our smaller sole proprietors. We have set a goal with TMA and County staff to complete 500 of these audits each year over the next five years. The 2500 businesses TMA will audit are broken in the five categories based on the asset value. TMA will do a random selection of businesses from each value category. This random selection will assure businesses the assessor is not targeting any value category. Again, all businesses will be audited. However, this is a long term project and will take many years to complete each business audit.

GENERAL ELECTRIC COMPANY
KEARFOTT GUIDANCE & NAVIGATION CORP
LINAMAR NORTH CAROLINA INC
NYPRO ASHEVILLE
PLASTICARD LOCTECH INTL LLP
REICH LLC
T R T HOLDINGS INC DBA GROVE PARK INN RESORT
UNISON ENGINE COMPONENTS
UNISON ENGINE COMPONENTS

We will have a kick-off meeting with Tax Management Associates on March 19th. Please contact me if you or anyone on County staff would like to meet the contractor

and ask them any direct questions about this process.

Again, if you or any citizen have questions or concerns please contact me anytime.

Regards,

Keith Miller

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