



North Carolina Department of Revenue

Michael F. Easley
Governor

January 8, 2002

E. Norris Tolson
Secretary

MEMORANDUM

TO: County Assessors

FROM: David B. Baker *DBB*
Property Tax Division

RE: Appraisal of Farm Equipment

Our office has conducted a study of the values of large farm equipment such as tractors, combines and cotton harvesters. We collected and analyzed the value of over 700 pieces of farm equipment of different makes, models and age. For each example in our study we collected the original year purchased, original cost, age and the current market value from a pricing guide. We compared the value obtained applying the cost approach using different life years to the current market value from the pricing guides. From this study we concluded that the best way to appraise large farm equipment is to use the market or sales approach. There is an active market for farm equipment and several good pricing guides which can be used to appraise this equipment.

Trying to develop a trending table which will appraise all types, makes and models of farm equipment accurately is very difficult. The study shows that the life of this type of equipment varies greatly but there is no doubt that the life is longer than the eight-year life recommended in the past. Attempting to appraise all farm equipment on one schedule would be like trying to develop a schedule that would appraise all motor vehicles using the original cost and a trending table. All motor vehicles do not depreciate at the same rate and neither does farm equipment. Some of the older farm equipment is worth more today than when first purchased and most have a residual value closer to 50%.

While we are recommending that farm equipment be appraised using pricing guides we realize that in many cases the property owner does not provide enough information on the equipment to apply the pricing guides and we also know that many of the listing forms just ask for cost and year acquired. Because of this we have included a new schedule in the 2002 Cost Index and Depreciation Schedules to be used to appraise farm equipment. This schedule will allow counties to still use the cost approach if necessary to appraise farm equipment but it is not as accurate as the market approach due to all the different makes and models.

If you have any questions concerning this new schedule, please contact us at 919-733-7711.