

5703-3-12

**Tangible personal property tax; true value; exhaustion method; presumed disposals.**

- (A) As used in this rule, "exhaustion method" means a procedure for valuing tangible personal property of a business in which the cost and accumulated depreciation reserves of furniture, fixtures, and machinery and equipment are shown on the taxpayer's books and records as fully depreciated, and the taxpayer maintains no records of actual disposals of such property.
- (B) Retail merchants and other taxpayers who follow the practice of showing fully depreciated assets on the books, whether or not physically disposed of, must value and list these assets for taxation as long as they are held for use in business. If the taxpayer maintains no records of disposals of fully depreciated assets, the exhaustion method may be used to compute the true value of this property for the purposes of the tangible personal property tax.
- (C) A taxpayer who meets the requirements of paragraph (B) of this rule shall calculate the true value of furniture, fixtures, and machinery and equipment as follows: The costs of fully depreciated assets acquired during each of the ten years preceding the year for which that class of property reaches its minimum utility value as shown on the composite annual allowance procedure for the current year, as determined pursuant to rule 5703-3-11 of the Administrative Code, shall be included. To reflect estimated disposals, the cost shall be reduced by ten per cent for each year that the year of acquisition precedes the year of minimum utility value for the current tax year. The property is considered to be totally disposed of if acquired more than nine years before the year of minimum utility value for the current tax year. The value of this property is computed using the reduced cost and the minimum utility value percentage for that class of property for the current tax year.
- (D) The tax commissioner may publish detailed instructions or examples to assist taxpayers in applying the provisions of this rule.