

## **OBSOLETE EQUIPMENT**

Many applicants who file for the Industrial Ad Valorem Tax Exemption Program (ITEP) do not know what is meant by obsolete equipment, and subsequently ignore this data line on the application form. Obsolete equipment is equipment which is either replaced or rebuilt. Below are examples where the reporting of obsolete dollars is required.

### **REPLACED EQUIPMENT:**

An applicant replaces an existing motor which cost when purchased, 12 years ago, was \$12,000 with a new motor which cost \$23,000. The applicant is entitled to an exemption on the \$11,000 difference. The total cost of the new motor should be indicated on the application and the replaced motor's original cost should be reflected on the front page of the application in the space marked restricted amount (obsolete equipment).

### **REBUILT EQUIPMENT:**

If an item needs to be rebuilt, you are entitled to the difference in cost of rebuilding the item at today's cost minus the cost of the rebuild of this item when it was purchased. If the original item was 15 years old, and it is rebuilt, request the company that is rebuilding the item to identify an approximate cost to perform the same service 15 years ago, and include this amount as restricted.

### **REPLACED EQUIPMENT UNDER PROPERTY TAX EXEMPTION:**

Items which are currently enjoying an exemption and are replaced must be reported as obsolete equipment. The applicant will not lose the remaining years of exemption on the obsolete dollar amount.

### **NO EXCEPTIONS:**

Any item which is either rebuilt or replaced that has never enjoyed a property tax exemption must also be reported as obsolete equipment. In all scenarios, the original cost must be identified when possible and if no records exist an estimate cost must be given.

The purpose of the ITEP is to encourage industrial growth while temporarily eliminating the overhead of additional property taxes on new investment. This program was not designed to reduce your existing property tax obligations. Most assessors endorse this incentive program for its positive influence in their parishes and their support helps the retention of this program. If applicants fail to report obsolete equipment it negates the intent/effectiveness of the program and encourages the approval of legislation which will modify its current status.