

10/27/98

ADVANCE BUSINESS SYSTEMS
AND SUPPLY CO.

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IN THE

vs.

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MARYLAND TAX COURT

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STATE DEPARTMENT OF ASSESS-
MENTS AND TAXATION

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No. 98-PP-OO-0069 (1-6)

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MEMORANDUM

The controlling case is IBM vs. Department of Assessments and Taxation, 312 Md. 215 (1988), which decided that the number that should be used for assessment of personal property tax is not always the figure that the cost accounting people would calculate. The Court further states that part of the reason for the difference is that “purchaser-lessors” and “manufacturer-lessors” have to be treated uniformly. We are advised that in order to find “full cash value,” we must “measure the market value of the property to manufacturer-lessors as consumers and not as manufacturers.” Now, with that guidance, it is this Court’s determination that treating these groups as consumers means to include sale tax that would normally be due on the equipment, even if it was not paid, and because consumers typically pay sales tax, therefore the amount of the sales tax should be included in the assessed value for personal property tax. This is no different from adding in an amount to the manufacturer’s cost to manufacture to make the amount that’s assessed higher than what it cost to manufacture, from a cost accounting point of

view, for their basis on the equipment for personal property tax. It's an artificial change to the cost accounting number. Likewise, this is another artificial change to a cost accounting number to include in a number that's not actually paid.