Trends in the Taxation of Heavy Equipment Rentals

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Property Taxes

• Real Property v. Tangible Personal Property (TPP)

• TPP taxes are imposed...
  – in a minority of states
  – generally on business TPP, not personal TPP
  – Exception is personal cars, boats, RVs, etc.
Problems with Taxing Business TPP

• Direct tax on investment
• Annually recurring
• Discourages capital formation
  – Reduces wages overall
  – Reduces development of higher paying jobs
Trends in Taxing Business TPP

- Eliminate/phase out tax (e.g., KS, OH, MI)
- Eliminate on some/all new equipment (ME)
- Increase exemption (AZ, CO, FL)
- Allow local option to eliminate (VT)
- Difficulty: State law, local revenue
Heavy Equipment Rentals & TPP Tax

• Problems
  – Mobile heavy equipment fleets cannot be fairly appraised/assessed
  – Administrative complexity
  – Uncertainty for local governments and taxpayers
  – Litigation
Heavy Equipment Rentals & TPP Tax

• Solutions
  – Ideally: eliminate tax; alternatively: simplify tax
  – Create a method or formula to allocate tax to each rental
    • Creates certainty
    • Simplifies tax collection
    • Simplifies audits
    • Minimizes disputes
    • Preserves local revenues
Simplifying the Taxation of Heavy Equipment Rentals

- No personal property tax
- Exemption/special valuation for heavy equipment
- Reformed tax per industry recommendations
- Unreformed tax—simplification required
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