

## Personal Property Changes for 2019

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All depreciable tangible personal property, used in a trade or business, with a life of more than one year is subject to net book personal property tax in Nebraska. To determine the taxable net book value, the Nebraska adjusted basis of tangible personal property is multiplied by the Nebraska depreciation factor, based on the recovery period and year for the item of personal property.

### Changes related to Nebraska adjusted basis for certain personal property.

Pursuant to Neb. Law 2018 LB 1089, changes were made to the definition of Nebraska adjusted basis in [Neb. Rev. Stat. § 77-118](#), for specific property as follows:

For property purchased after January 1, 2018 and before January 1, 2020, if there is an election to expense the depreciable property under section 179 of the Internal Revenue Code (IRS) and the asset is traded in as part of the payment for newly acquired property, the Nebraska adjusted basis is the **remaining Nebraska net book** value of the asset in the year of trade-in plus additional cash paid (boot).

**Example.** A property owner owns a piece of equipment that was originally expensed under Section 179, which shows a remaining federal basis of zero. The piece of equipment has a remaining Nebraska net book value of \$70,000 in the year it was traded. He pays \$30,000 plus trade-in for a new piece of equipment. The Nebraska adjusted basis for the new item is \$100,000 [\$70,000 remaining Nebraska net book value + \$30,000 cash paid (boot)].

Prior to this change, the Nebraska adjusted basis was the cash paid (boot), plus any remaining federal adjusted basis in the personal property being traded.

Tangible personal property involved in a trade-in prior to January 1, 2018 is not affected by this, and the method to determine Nebraska net book value does not change.

### Changes for recovery period for certain farm machinery and equipment.

The Federal Tax Cuts and Jobs Act, signed December 22, 2017, changed the recovery period for certain machinery and equipment used in a farming business from 7 to 5 years.

See: Class Life of farm equipment 26 U.S. Code § 168-Accelerated cost recovery system (e) (3) (B) (vii).

The 5-year recovery period is applicable only for new agricultural machinery and equipment placed in service on or after January 1, 2018.

The recovery period remains as 7-year for any agricultural machinery and equipment placed in service prior to January 1, 2018.

County assessors are advised to accept the 2019 Personal Property Returns that show a 5-year recovery period for agricultural machinery and equipment placed into service on or after January 1, 2018.

If the taxpayer elects to continue to use 7-year recovery period for agricultural machinery and equipment, then county assessors are further advised to accept that as reported on the personal property return.

If the county assessor makes any changes to a taxpayer's personal property return, they must send notice of change in value, pursuant to [Neb. Rev. Stat. § 77-1233.06](#).

The county assessor still has the right to take testimony under oath from the taxpayer, his or her agent or employee, demand or subpoena depreciation schedules, worksheets, work papers and any other documents he or she deems necessary to determine the net book value and accuracy of the personal property return, pursuant to [Neb. Rev. Stat. § 77-1236](#).

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