

Excise Tax Advisory

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Determination of Minimum Value of Tangible Personal Property

Where there is a conflict over the value of tangible personal property, can the minimum value of tangible personal property be determined from the taxpayer's record entries on his books of account?

RCW 82.12.010(2)(a) defines "value of the article used" as the purchase price for the article including any tariff or duty paid in respect to the importation of the article used. A taxpayer's own records are an admission of the minimum value of tangible personal property set up as a capital asset. The Department is entitled to use, but is not necessarily bound by the taxpayer's records. However, if the entry does not reflect the true purchase price or does not fairly represent the asset's value, the Department may obtain additional evidence for use in determining value.

For example, assume a taxpayer purchased inventory, furniture, fixtures, and good will as a part of the acquisition of an on-going business. The total purchase price for the business is \$175,000. The taxpayer reported the value of the tangible personal property acquired as \$10,000, and paid Use Tax on that amount. However, the taxpayer's books showed the value of tangible personal property acquired to be \$80,000. The Department may use the \$80,000 value as shown on the taxpayer's books as the basis for an additional assessment of use tax.

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