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POSSIBLE AMENDMENTS TO THE INTANGIBLE PERSONAL PROPERTY EXEMPTION STATUTE

Prepared for the Revenue and Transportation Interim Committee

June 10, 2016

The Revenue and Transportation Interim Committee has asked the Department of Revenue to join a panel discussion on the intangible personal property (IPP) exemption allowed under § 15-6-218, MCA, and to be prepared to discuss potential solutions to ongoing disputes as to what is include in the definition of IPP. Below are potential amendments to the statute. The amendments are for discussion only and do not represent a final recommendation by the Department or the Executive Branch for changes to the IPP exemption statute.

15-6-218. Intangible personal property exemption. (1) Intangible personal property is exempt from taxation.

(2) For the purposes of this section, "intangible personal property" means ~~personal property that is not tangible personal property and that:~~

~~—(a) has no intrinsic value but is the representative or evidence of value, including but not limited to certificates of stock, bonds, promissory notes, licenses, copyrights, patents, trademarks, contracts, custom software, and franchises; or~~

~~—(b) lacks physical existence, including but not limited to goodwill.~~

(3) To the extent that the unit value of centrally assessed property includes intangible personal property, that value must be removed from the unit value.

History: En. Sec. 1, Ch. 583, L. 1999; amd. Sec. 1, Ch. 318, L. 2005.

Definition of Goodwill:

Goodwill is the excess amount of the purchase price above the combination of all of the fair values of all of the identifiable tangible and intangible assets (as of the acquisition date), liabilities, and non-controlling interests.

From, American Society of Appraisers' text, Valuing Machinery and Equipment, Pg. 236:

Selected Property Plant & Equipment to Intangible Assets Comparison

From SEC 10-K filings in millions
Account

12/31/2015 12/31/2014 12/31/2013 12/31/2012 12/31/2011 12/31/2010 12/31/2009 12/31/2008 12/31/2007 12/31/2006 12/31/2005 12/31/2004 12/31/2003 12/31/2002 12/31/2001 12/31/2000 12/31/2000

	AT&T Inc.		Acq. Div		Acq. BellSouth		Acq. ATTC		Acq. Verizon Wireless		Bell Atlantic	
	Property, Plant and Equipment, Net	Goodwill	Other Intangible Assets	Total	Property, Plant and Equipment, Net	Goodwill	Other Intangible Assets	Total	Property, Plant and Equipment, Net	Goodwill	Other Intangible Assets	Total
PP&E %	37%	44%	44%	44%	37%	44%	44%	44%	37%	44%	44%	44%
Goodwill %	31%	27%	28%	28%	31%	27%	28%	28%	31%	27%	28%	28%
Other Intangibles %	32%	28%	28%	28%	28%	28%	28%	28%	28%	28%	28%	28%

	Verizon		Acq. Veechphone		Acq. Alltel		Merger MCI		Acq. Verizon Wireless		Bell Atlantic	
	Property, Plant and Equipment, Net	Goodwill	Other Intangible Assets	Total	Property, Plant and Equipment, Net	Goodwill	Other Intangible Assets	Total	Property, Plant and Equipment, Net	Goodwill	Other Intangible Assets	Total
PP&E %	41%	46%	44%	44%	41%	46%	44%	44%	41%	46%	44%	44%
Goodwill %	9%	9%	12%	12%	9%	9%	12%	12%	9%	9%	12%	12%
Other Intangibles %	50%	45%	43%	44%	50%	45%	43%	44%	50%	45%	43%	44%

	Century Link		Goodwill Impairment		Acq. Great S Savis		Acq. Embarras		Acq. KMC		Verizon Line		Verizon Line	
	Property, Plant and Equipment, Net	Goodwill	Other Intangible Assets	Total	Property, Plant and Equipment, Net	Goodwill	Other Intangible Assets	Total	Property, Plant and Equipment, Net	Goodwill	Other Intangible Assets	Total	Property, Plant and Equipment, Net	Goodwill
PP&E %	41%	40%	40%	38%	41%	40%	40%	38%	41%	40%	40%	38%	41%	40%
Goodwill %	47%	45%	44%	44%	47%	45%	44%	44%	47%	45%	44%	44%	47%	45%
Other Intangibles %	12%	14%	16%	18%	12%	14%	16%	18%	12%	14%	16%	18%	12%	14%

	Charter		Bresnan Acquisition		Bankruptcy Successor		Bankruptcy Predecessor		Acq. Verizon Wireless		Bell Atlantic	
	Property, Plant and Equipment, Net	Goodwill	Other Intangible Assets	Total	Property, Plant and Equipment, Net	Goodwill	Other Intangible Assets	Total	Property, Plant and Equipment, Net	Goodwill	Other Intangible Assets	Total
PP&E %	50%	50%	47%	48%	50%	50%	47%	48%	50%	50%	47%	48%
Goodwill %	7%	7%	7%	6%	7%	7%	7%	6%	7%	7%	7%	6%
Other Intangibles %	43%	44%	46%	46%	43%	44%	46%	46%	43%	44%	46%	46%