

Montana Department of Revenue



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, <u>custom</u> 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

PP&E%	PP&E %			Total	Other Intangible Assets	Goodwill	Property, Plant and Equipment, Net	Charter		Other Intangibles %	Goodwill %	PP&E %	Total	Other Intangible Assets	Goodwill	Property, Plant and Equipment, Net	Century Link		Other Intangibles %	Goadwill %	PP&E %			Other Intangible Assets	Goodwill	Bronorty Plant and Equipment Not	Verizon		Other Intangibles %	Goodwill %	PP&E %		angible Assets		Property, Plant and Equipment, Net	AT&T Inc.	Account 12/	From SEC 10-K filings in millions
	3	50%		16,629	7,116	1,168	8,345			12%	47%	41%	44,294	5,483	20,742	18,069			50%	9%	41%	3	204.753	103,251	17,961	83 541			32%	31%	37%	336,133	107,115	104,568	124,450	Acq. DTV	31/2015 12	
	7%	50%		16,906	7,365	1,168	8,373			14%	45%	40%	45,728	6,540	20,755	18,433	Acquistions		45%	9%	46%	1	194.702	86,797	17,958	89 947	Acq. Vodaphone		28%	27%	44%	254,995	72,405	69,692	112,898		/31/2014 1	
	7%	47%		16,804	7,646	1,177	7,981	Acquisition	Bresnan	16%	44%	40%	47,057	7,737	20,674	18,646	Impairment		43%	12%	44%		200.937	87,347	24,634	220 22			28%	28%	44%	250,270	70,029	69,273	110,968	:	2/31/2013 1	
	£	48%		15,104	6,945	953	7,206			18%	44%	38%	49,629	8,970	21,627	19,032			44%	12%	44%		202.391	89,610	24,139	88 647			28%	28%	44%	251,003	71,463	69,773	109,767		2/31/2012 1	
	8,0	46%		15,064	7,213	954	6,897			20%	42%	38%	51,658	10,482	21,732	19,444	Savvis		43%	12%	45%		196.797	85,006	23,357	88 434			29%	28%	43%	250,672	72,743	70,842	107,087		12/31/2015 12/31/2014 12/31/2013 12/31/2012 12/31/2011 12/31/2010	
	6%	45%		15,231	7,461	951	6,819			6%	51%	43%	20,255	1,240	10,261	8,754			44%	11%	45%		194.355	84,656	21,988	87.711			29%	30%	42%	247,540	70,743	73,601	103,196	;		
	88	44%		15,582	7,798	951	6,833	Successor	Bankruptcy	7%	49%	44%	20,794	1,446	10,251	9,097	Embarq		43%	11%	46%		200.054	85,595	22,474	91.985	Acq. Altrei		28%	30%	41%	240,005	67,704	72,782	99,519		12/31/2009 12/31/2008 12/31/2007 12/31/2006 12/31/2005 12/31/2004 12/31/2003 12/31/2007 12/31/2001 12/31/2000 1	
2	1%	40%		12,469	7,414	88	4,987	Predecessor	Bankruptcy	3%	5/%	41%	7,099	189	4,015	2,895			44%	4%	52%		164.953	72,372	6,035	86.546			27%	31%	42%	234,629	63,712	71,829	99,088		2/31/2008 1	
	%0	36%		14,105	8,966	67	5,072			3%	1 1 % 1 %	42%	7,325	206	4,011	3,108			40%	%€	56%		151,311	60,772	5,245	85.294			26%	31%	43%	225,005	58,402	70,713	95,890		/31/2007 13	
040	%	36%		14,465	9,223	61	5,181			1%	9475	47%	6,577	37	3,431	3,109			41%	4%	55%		149,250	61,239	5,655	82.356	Merger	:	27%	30%	43%	221,993	59,740	67,657	94,596	Acq. BellSouth	/31/2006 12	
n ye	8	37%	ı	15,678	9,826	52	5,800			1%	%TC	49%	6,774	37	3,433	3,304	KMC		43%	0%	56%		129,219	55,917	315	72.987			10%	17%	72%	81,285	8,503	14,055	58,727	Acq. ATTC	2/31/2005 1	•
62% %	20	38%		16,040	9,878	52	6,110			0%	%Tc	49%	6,794	19	3,434	3,341			41%	1%	59%		126,093	51,132	837	74.124			1%	3%	96%	52,100	429	1,625	50,046		2/31/2004 13	,
67%	28	33%		20,540	13,680	52	6,808			0%	200	50%	6,901	20	3,425	3,455			40%	1%	60%		126,448	50,311	835	75,302			3%	3%	94%	55,171	1,432	1,611	52,128		2/31/2003 1	
55%	%0	35%		21,241	13,727	54	7,460			0%	8 9	51%	6,981	22	3,427	3,532	Verizon Line	400	39%	0%	61%		121,235	46,739		74,496			%0	3%	97%	50,133		1,643	48,490		2/31/2002 1	
74%	0%	26%		25,632	18,911	į	6,721			0%	200	50%	6,018	,	3,019	3,000			37%	%	63%		118,681	44,262	*	74,419											/31/Z001 12	
80%	0%	20%		23,627	18,835	,	4,792			0%	26.9	49%	6,017		3,057	2,959	Vertzon Line	Acq	38%	%	62%		111,494	41,990		69,504	Acq Vertion wireless										2/31/2000 1	
77%	20%	23%		22,299	17,069		5,230			078	26.9	51%	4,419		2,163	2,256			12%	2%	88%		70,818	8,645	ř	62,173	Bell Atlantic										2/31/2000	