



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



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