

## Personal Property Changes for 2020

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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 unless expressly exempt pursuant to [Neb. Rev. Stat. § 77-202](#). 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 newly acquired personal property with trade-in.

Pursuant to Neb. Law 2019 LB 663, changes were made to the definition of Nebraska adjusted basis in [Neb. Rev. Stat. § 77-118](#), for newly acquired property with trade-in as follows:

For purchases of depreciable personal property occurring on or after January 1, 2018, if similar personal property is traded in as part of the payment for the newly acquired property, the Nebraska adjusted basis is the **remaining federal tax basis** of the property traded in, plus the additional cash (boot) paid by the taxpayer for the newly acquired property.

**Example 1.** A property owner trades in a piece of equipment with a remaining federal tax basis of \$5,000. He pays \$30,000 plus trade-in for a new piece of equipment. The Nebraska adjusted basis for the new item is \$35,000 [\$5,000 remaining federal basis on old item + \$30,000 cash (boot) paid].

**Example 2.** A property owner trades in a piece of equipment with a remaining federal tax basis of zero. He pays \$30,000 plus trade-in for a new piece of equipment. The Nebraska adjusted basis for the new item is \$30,000 [\$0 remaining federal basis on old item + \$30,000 cash (boot) paid].

The taxpayer cannot amend the 2019 personal property return based on the recent legislation (LB 663) which changed the definition of Nebraska adjusted basis for trade-ins.

For tax year 2019, LB 1089 was in effect and defined Nebraska adjusted basis differently, specifically; for property purchased after January 1, 2018 and before January 1, 2020, if there was an election to expense the depreciable property under section 179 of the Internal Revenue Code (IRS) and similar personal property was traded in as part of the payment for newly acquired property, the Nebraska adjusted basis was the **remaining Nebraska net book** value of the asset in the year of trade-in plus additional cash paid (boot).

For tax year 2020, the taxpayer may submit the personal property return with the Nebraska adjusted basis modified for an asset affected by last year's definition for trade-ins.

The county assessor is advised to accept the tax year 2020 return with a modification for those assets affected by the change in definition of Nebraska adjusted basis for trade-ins as provided by LB 663.

If the taxpayer submits a personal property return with the Nebraska adjusted basis modified for an asset affected by last year's definition for trade-ins, the taxpayer may not request a refund of 2019 tax for that asset.

### 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.

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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 2020 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](#).