



**Mike Kadas**  
Director

# Montana Department of Revenue



**Steve Bullock**  
Governor

## Memorandum

**To:** Mike Kadas, Director  
Montana Department of Revenue

**From:** Eric Dale, Tax Policy and Research  
Montana Department of Revenue

**Date:** September 23, 2016

**Subject:** Small Business Impact Analysis of Rules Relating to Trended Depreciation Schedules of Tangible Personal Property in MAR 42-2-965

ARM 42.21.157, requires the Department to update the depreciation schedules of tangible personal property on an annual basis. The purpose of these depreciation schedules is to account for the effect wear and tear has on the value of tangible personal property.

The annual changes to ARM 42.21.113 through ARM 42.21.155 and ARM 42.21.1311 affect all businesses with tangible personal property. In the annual updating of the depreciation schedules, the Department allows its appraisers to account for the impact of an additional year of wear and tear has had on the value of tangible personal property. These changes allow the department to determine a more accurate market value of personal property. Small businesses would see a negative impact if these tables were not updated. Without the ability to apply current depreciation schedules, the Department's appraisers would overstate the value of this property.

Additionally the department proposes further amends to expand the Wind Generation category to include solar and other types of renewable energy generating equipment. The department conducted research pertaining to the life of the solar energy generation equipment, in particular, which supports using the same life expectancy and trend factors as are used for wind energy generation equipment. Since these changes will simply allow the department to more accurately assesses renewable energy generating equipment, the effect on small business is anticipated to be negligible.