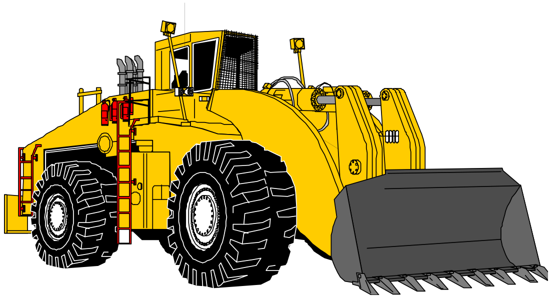
Depreciation Schedules



Business Personal Property

Years 1996 - 2004

State Code

State Code

Relevant excerpt from Sec. 58.1-3503(B)

Methods of valuing property may differ among the separate categories, so long as each method used is uniform within each category, is consistent with requirements of this section and may reasonably be expected to determine actual fair market value as determined by the commissioner of revenue or other assessing official; however, assessment ratios shall only be used with the concurrence of the local governing body.

A commissioner of the revenue shall upon request take into account the condition of the property. The term “condition of the property” includes, but is not limited to, technological obsolescence of property where technological obsolescence is an appropriate factor of valuing such property. The commissioner of revenue shall make available to taxpayers on request a reasonable description of his valuation methods.

Analysis By Outside Consultant

Advantax Management Corporation

Advantax Management Corporation was retained to assist the County in updating its depreciation schedules as they relate to computer equipment, machinery & tools, and general tangible personal property.

Advantax Management Corporation

Their conclusions are based upon a study of lifing schedules used by other assessment agencies and their database of personal property market transactions. They also utilize the Marshall and Swift Cost Service and Internal Revenue Service depreciation guides, as well as published industry forecasts, used personal property pricing information, and various studies for the mass appraisal of personal property.

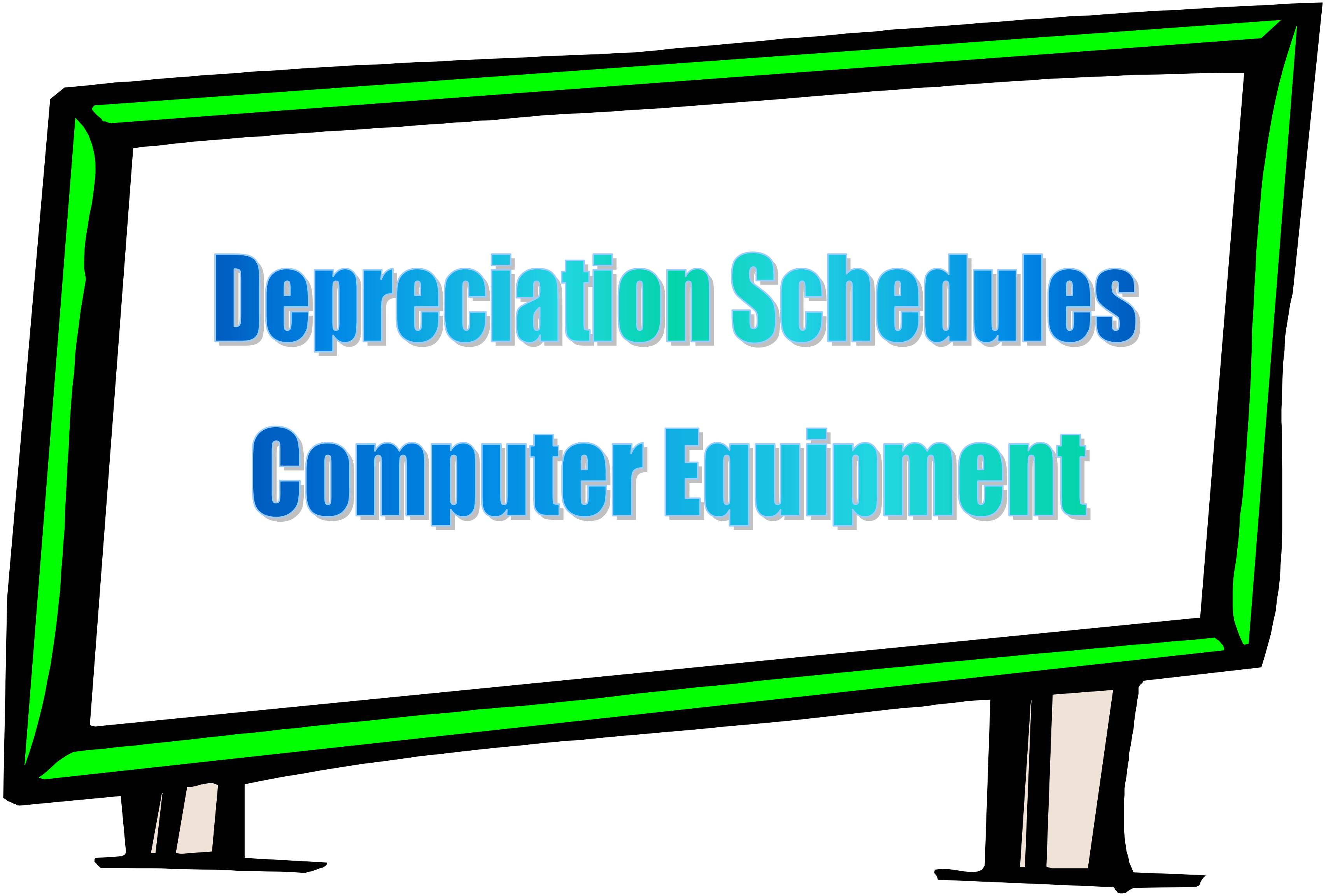
Definitions

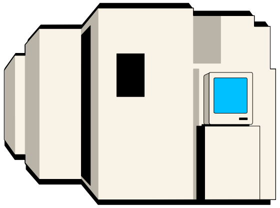
Depreciation is the loss in value from any cause in comparison with a new item of property of like kind, resulting from physical deterioration, functional obsolescence, and economic obsolescence.

Physical Deterioration is defined as a loss in value due to physical wear and tear, as well as exposure to a given environment.

Functional Obsolescence is defined as a loss in value normally caused by improvements in methods, designs, layout, materials, or technology that result in inadequacy, overcapacity, excess construction, lack of utility, or excess operating costs in the part of the equipment.

Economic/External Obsolescence is defined as a loss in value occasioned by unfavorable conditions usually external to the property, such as weak local economy, poor economics in the industry, encroachment of objectionable enterprises, loss of material and labor sources, lack of efficient transportation, shifting of a business center, and passage of new legislation.

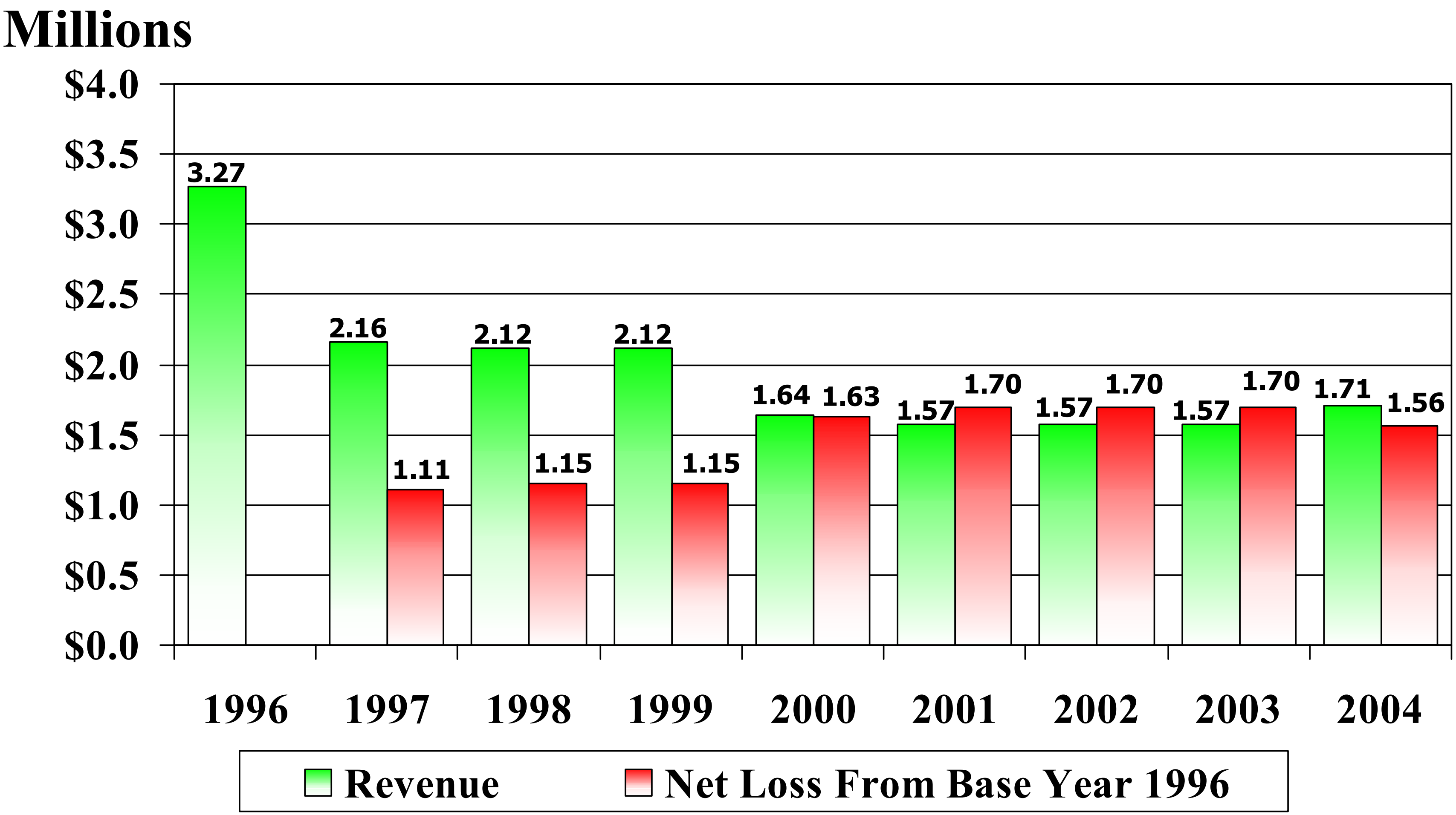

Depreciation Schedules
Computer Equipment



Depreciation Schedules for Mainframe Computers

Year	1996	1997	1998	1999	2000	2001	2002	2003	2004
1	75%	73%	70%	70%	60%	58%	58%	58%	60%
2	60%	50%	50%	50%	40%	37%	37%	37%	38%
3	50%	30%	30%	30%	20%	19%	19%	19%	23%
4	40%	15%	15%	15%	10%	10%	10%	10%	14%
5	30%	10%	10%	10%	5%	5%	5%	5%	9%
6	20%	5%	5%	5%	1%	1%	1%	1%	1%
7	20%	2%	2%	2%	1%	1%	1%	1%	1%
8 +	20%	1%	1%	1%	1%	1%	1%	1%	1%

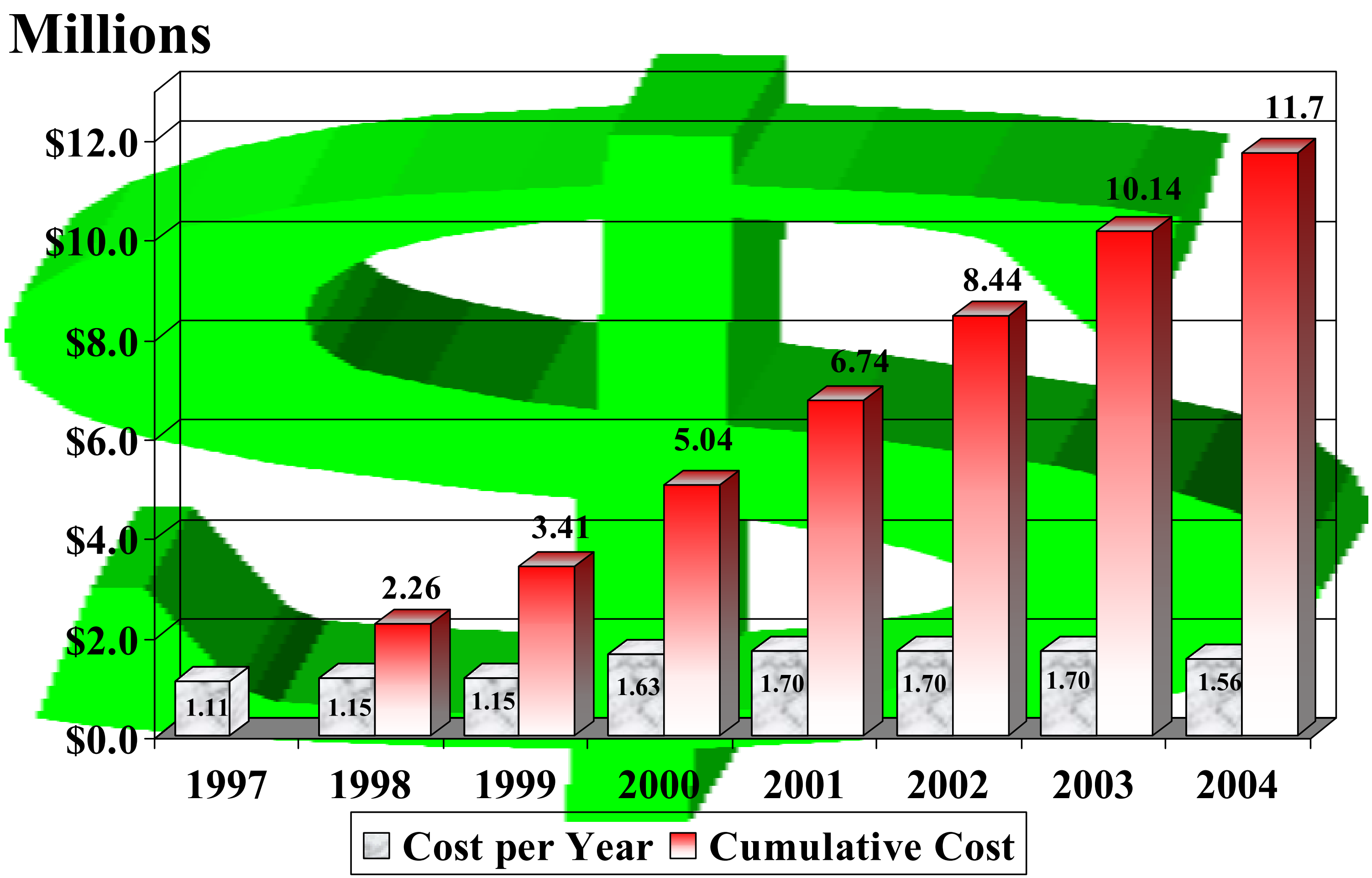
Revenue Attributable to Mainframe Computers



Information above has been derived by using the financial data for tax year 2003 and applying relevant depreciation rates for the period 1996-2004.

Cost Attributable to Adopting Accelerated Depreciation Schedule

Mainframe Computers

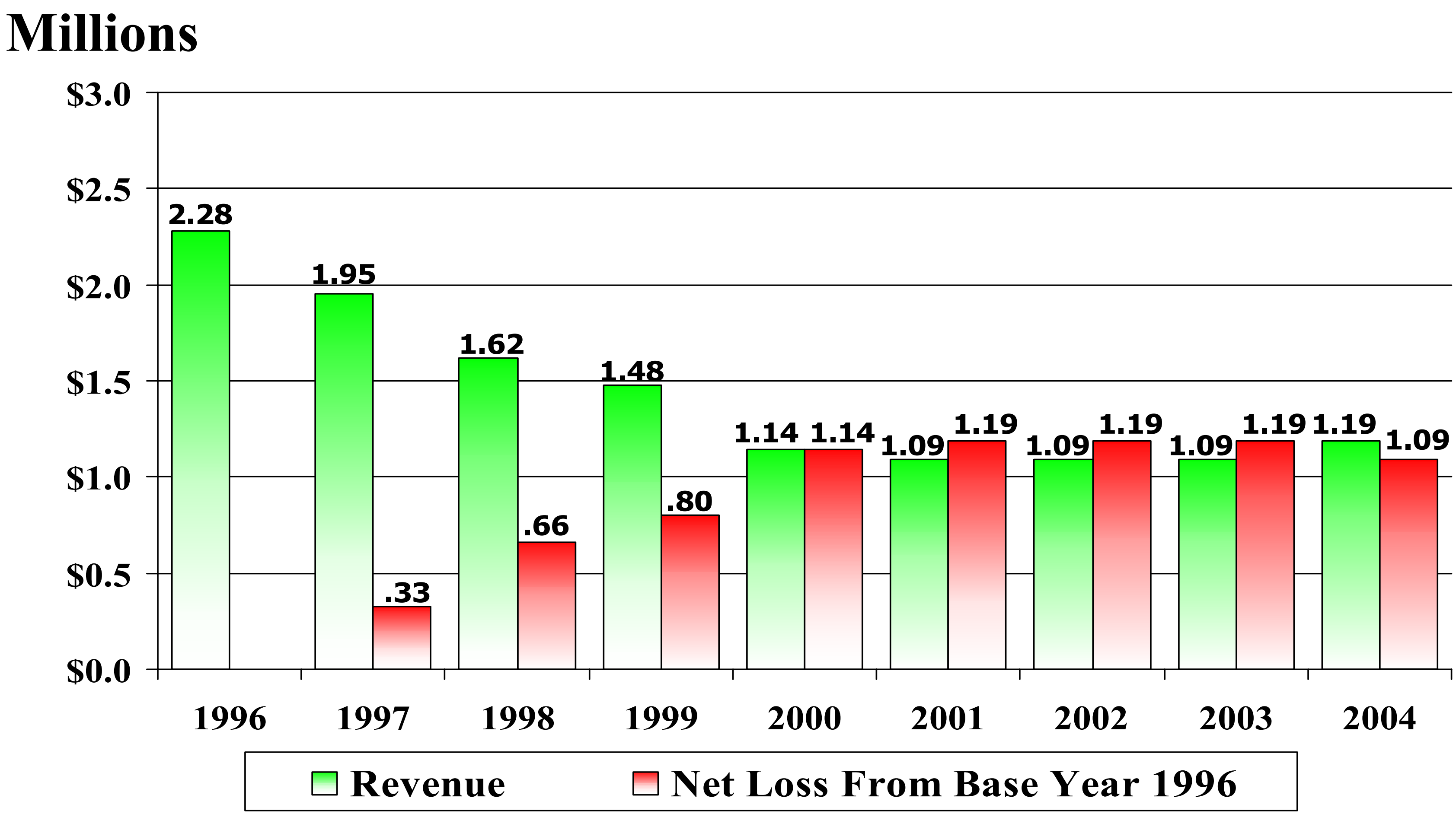


Information above has been derived by using the financial data for tax year 2003 and applying relevant depreciation rates for the period 1996-2004.

Depreciation Schedules for Peripheral Equipment

Year	1996	1997	1998	1999	2000	2001	2002	2003	2004
1	75%	80%	75%	70%	60%	58%	58%	58%	60%
2	60%	65%	55%	50%	40%	37%	37%	37%	38%
3	50%	44%	35%	30%	20%	19%	19%	19%	23%
4	40%	25%	17%	15%	10%	10%	10%	10%	14%
5	30%	15%	10%	10%	5%	5%	5%	5%	9%
6	20%	10%	5%	5%	1%	1%	1%	1%	1%
7	20%	5%	2%	2%	1%	1%	1%	1%	1%
8 +	20%	3%	1%	1%	1%	1%	1%	1%	1%

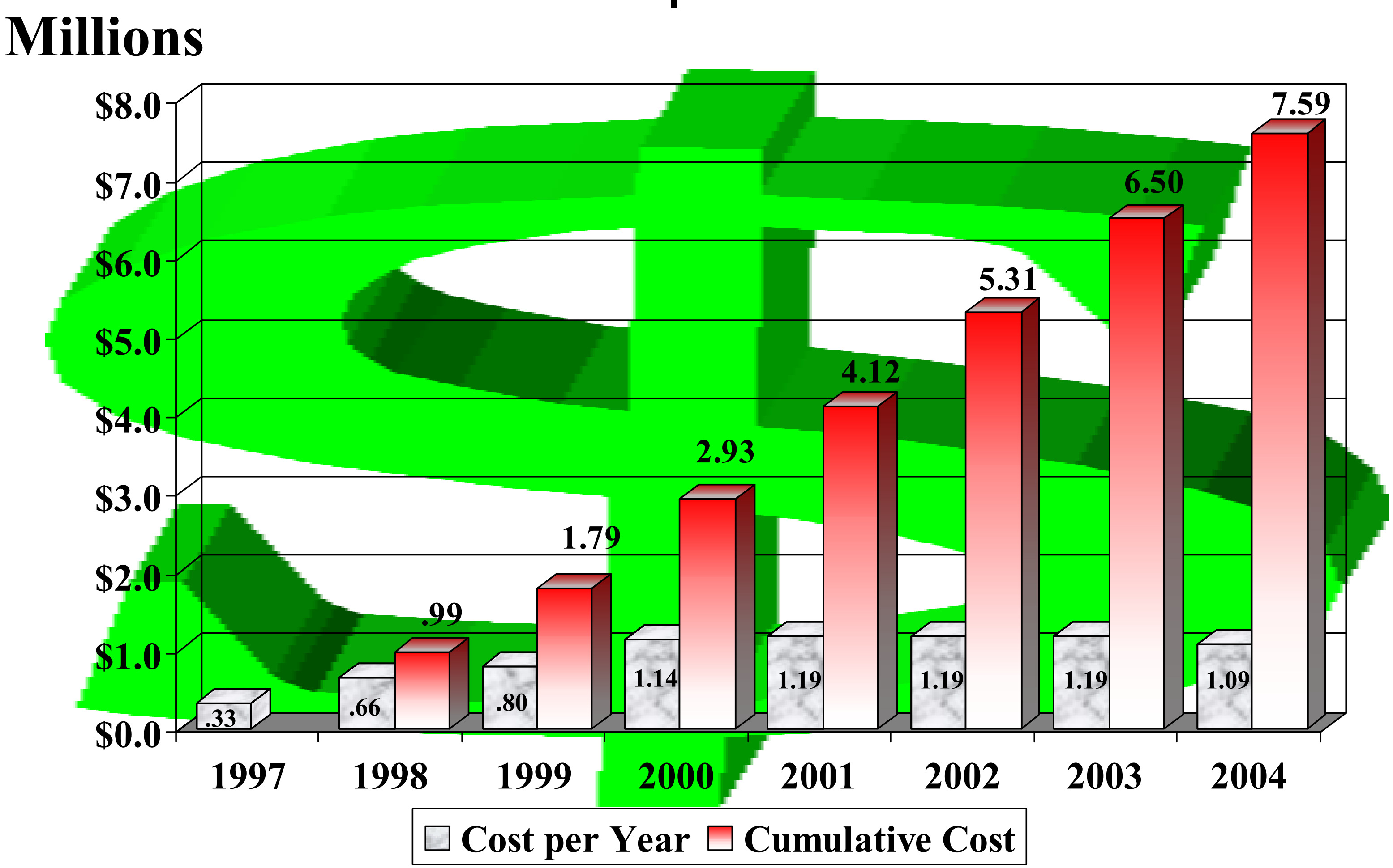
Revenue Attributable to Peripherals



Information above has been derived by using the financial data for tax year 2003 and applying relevant depreciation rates for the period 1996-2004.

Cost Attributable to Adopting Accelerated Depreciation Schedule

Peripherals

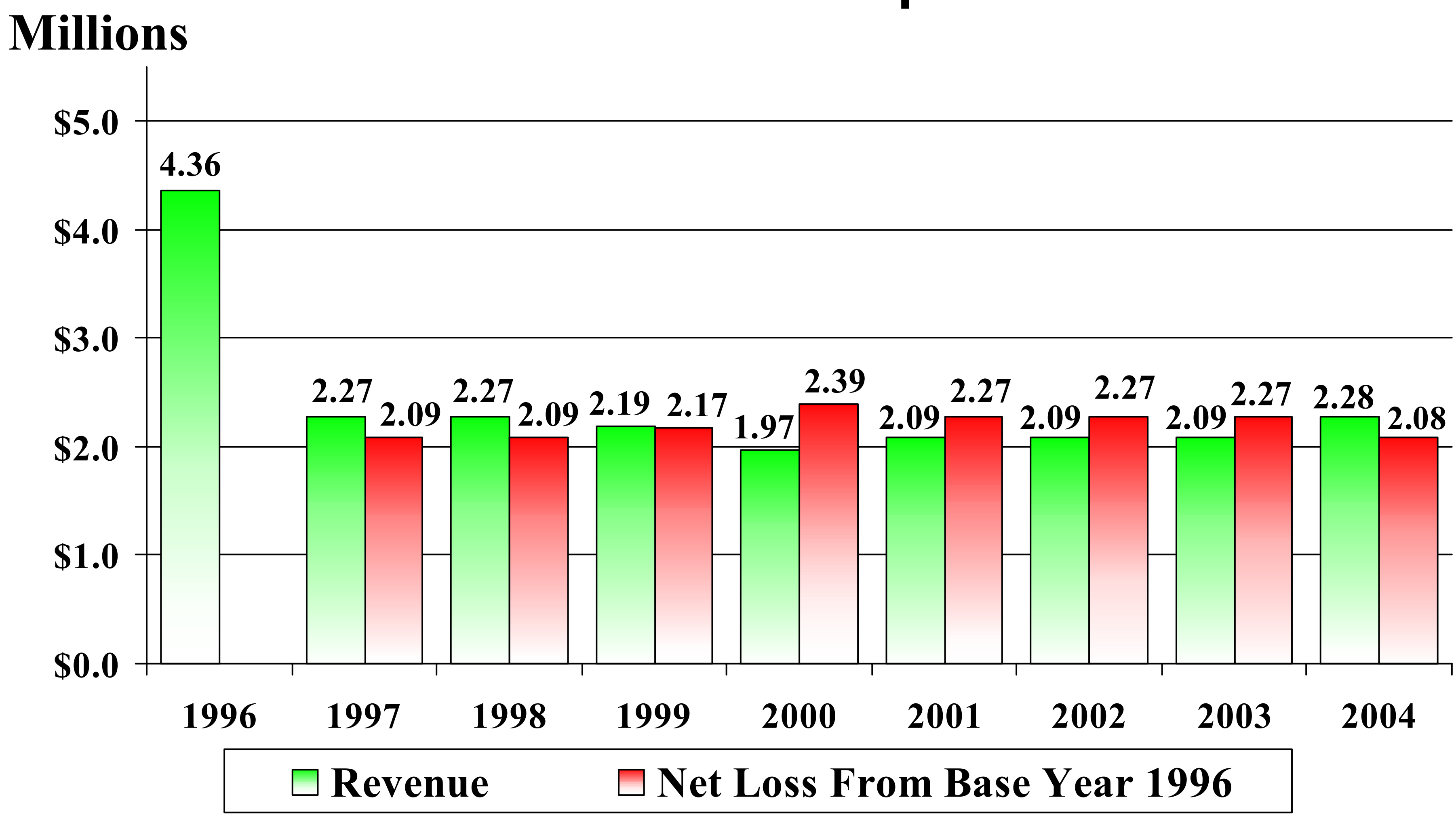


Information above has been derived by using the financial data for tax year 2003 and applying relevant depreciation rates for the period 1996-2004.

Depreciation Schedules for Personal Computers

Year	1996	1997	1998	1999	2000	2001	2002	2003	2004
1	75%	65%	65%	60%	55%	58%	58%	58%	60%
2	60%	40%	40%	40%	35%	37%	37%	37%	38%
3	50%	20%	20%	20%	17%	19%	19%	19%	23%
4	40%	10%	10%	10%	10%	10%	10%	10%	14%
5	30%	5%	5%	5%	5%	5%	5%	5%	9%
6	20%	1%	1%	1%	1%	1%	1%	1%	1%
7	20%	1%	1%	1%	1%	1%	1%	1%	1%
8 +	20%	1%	1%	1%	1%	1%	1%	1%	1%

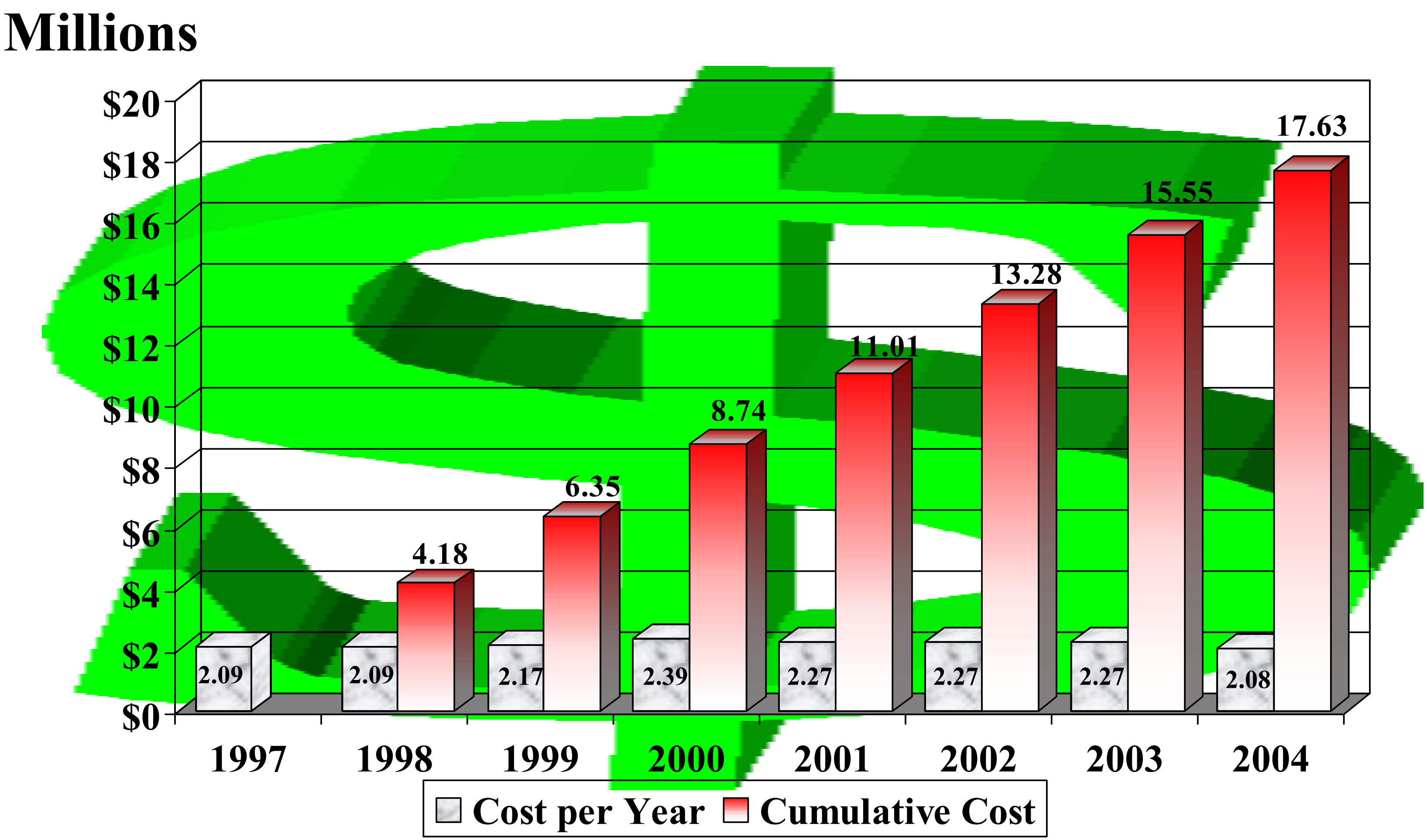
Revenue Attributable to Personal Computers



Information above has been derived by using the financial data for tax year 2003 and applying relevant depreciation rates for the period 1996-2004.

Cost Attributable to Adopting Accelerated Depreciation Schedule

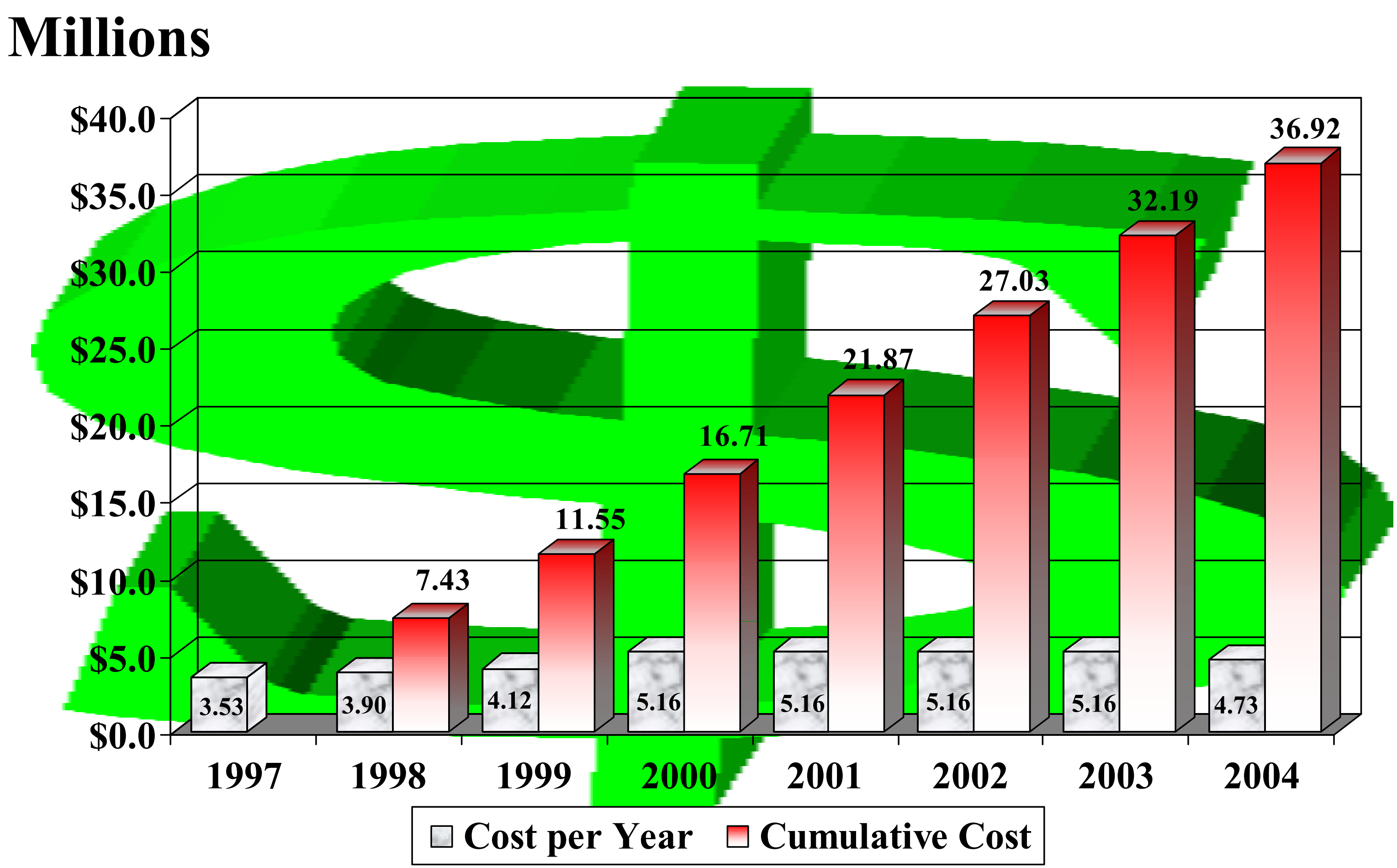
Personal Computers



Information above has been derived by using the financial data for tax year 2003 and applying relevant depreciation rates for the period 1996-2004.

Cumulative Cost Attributable to Adopting Accelerated Depreciation Schedules for All Computer Equipment

(Mainframe Computers, Peripherals, and Personal Computers)



Information above has been derived by using the financial data for tax year 2003 and applying relevant depreciation rates for the period 1996-2004.

**This chart does not reflect the financial impact attributable to adjustments made as a result of litigation.*

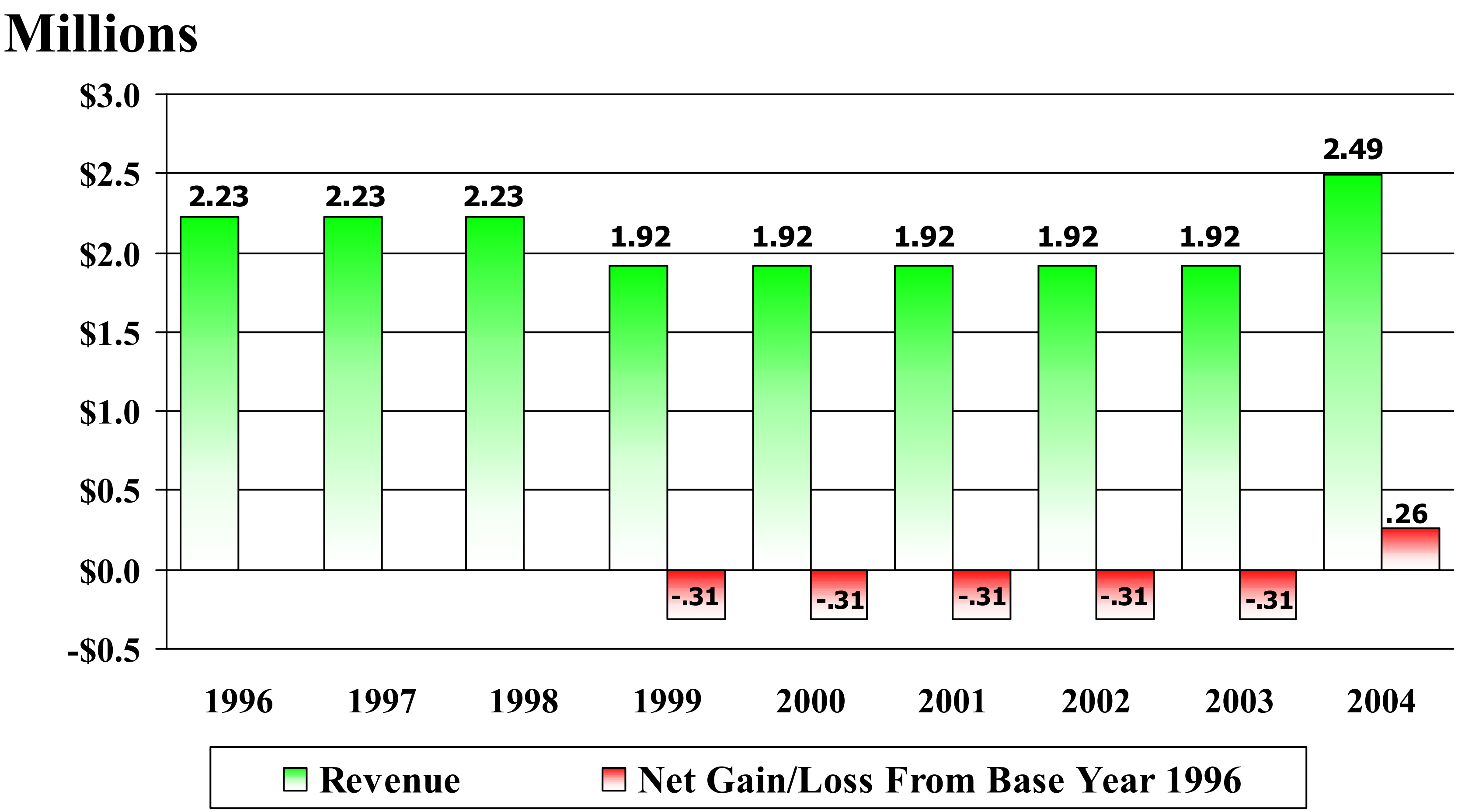
Depreciation Schedule

Machinery & Tools

Depreciation Schedules for Machinery & Tools

Year	1996	1997	1998	1999	2000	2001	2002	2003	2004
1	75%	75%	75%	75%	75%	75%	75%	75%	75%
2	60%	60%	60%	60%	60%	60%	60%	60%	70%
3	50%	50%	50%	50%	50%	50%	50%	50%	65%
4	40%	40%	40%	40%	40%	40%	40%	40%	60%
5	30%	30%	30%	30%	30%	30%	30%	30%	50%
6-10	20%	20%	20%	20%	20%	20%	20%	20%	25%
11-12	20%	20%	20%	15%	15%	15%	15%	15%	20%
13-14	20%	20%	20%	10%	10%	10%	10%	10%	15%
15+	20%	20%	20%	5%	5%	5%	5%	5%	8%

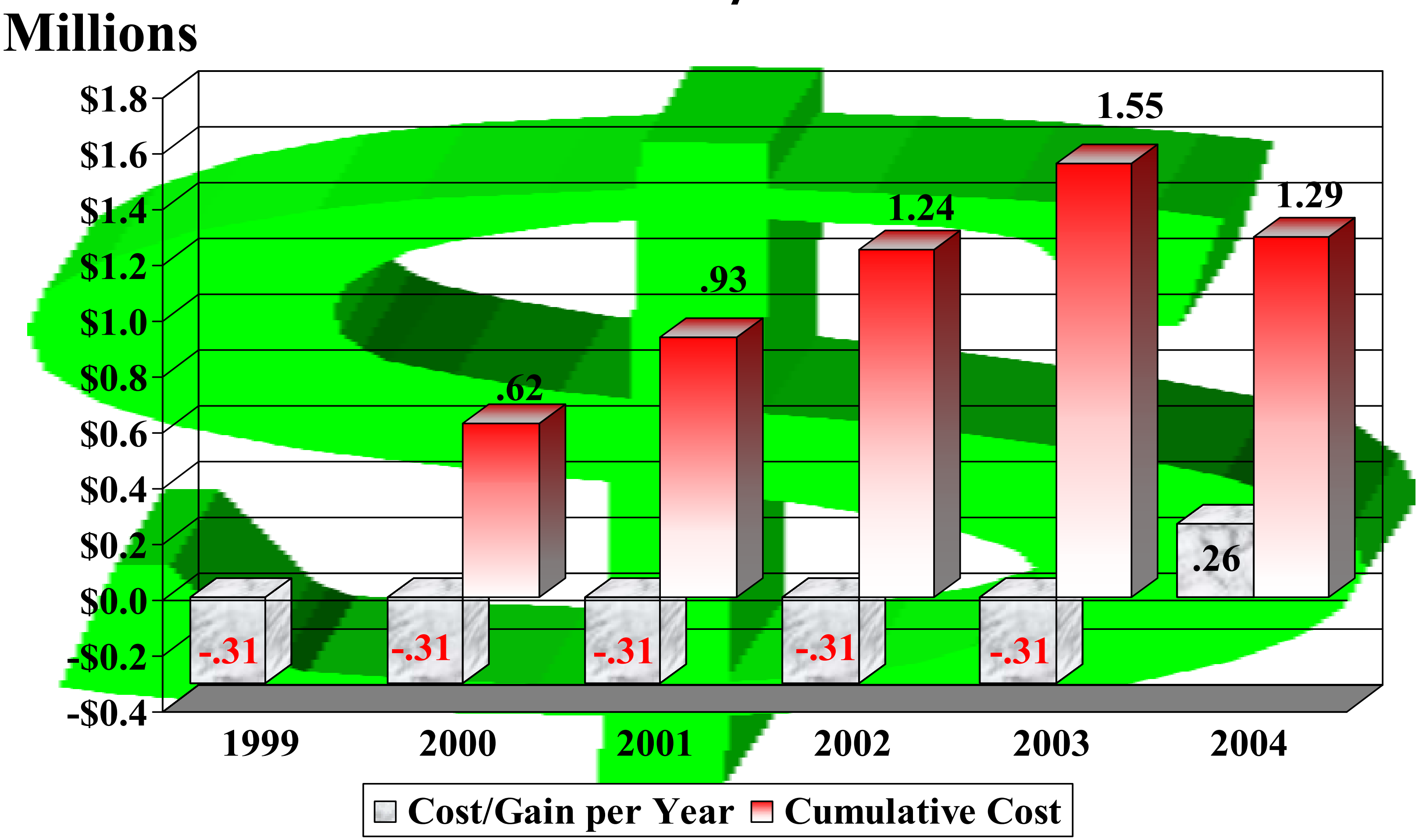
Revenue Attributable to Machinery & Tools



Information above has been derived by using the financial data for tax year 2003 and applying relevant depreciation rates for the period 1996-2004.

Cost Attributable to Adopting Accelerated Depreciation Schedule

Machinery & Tools



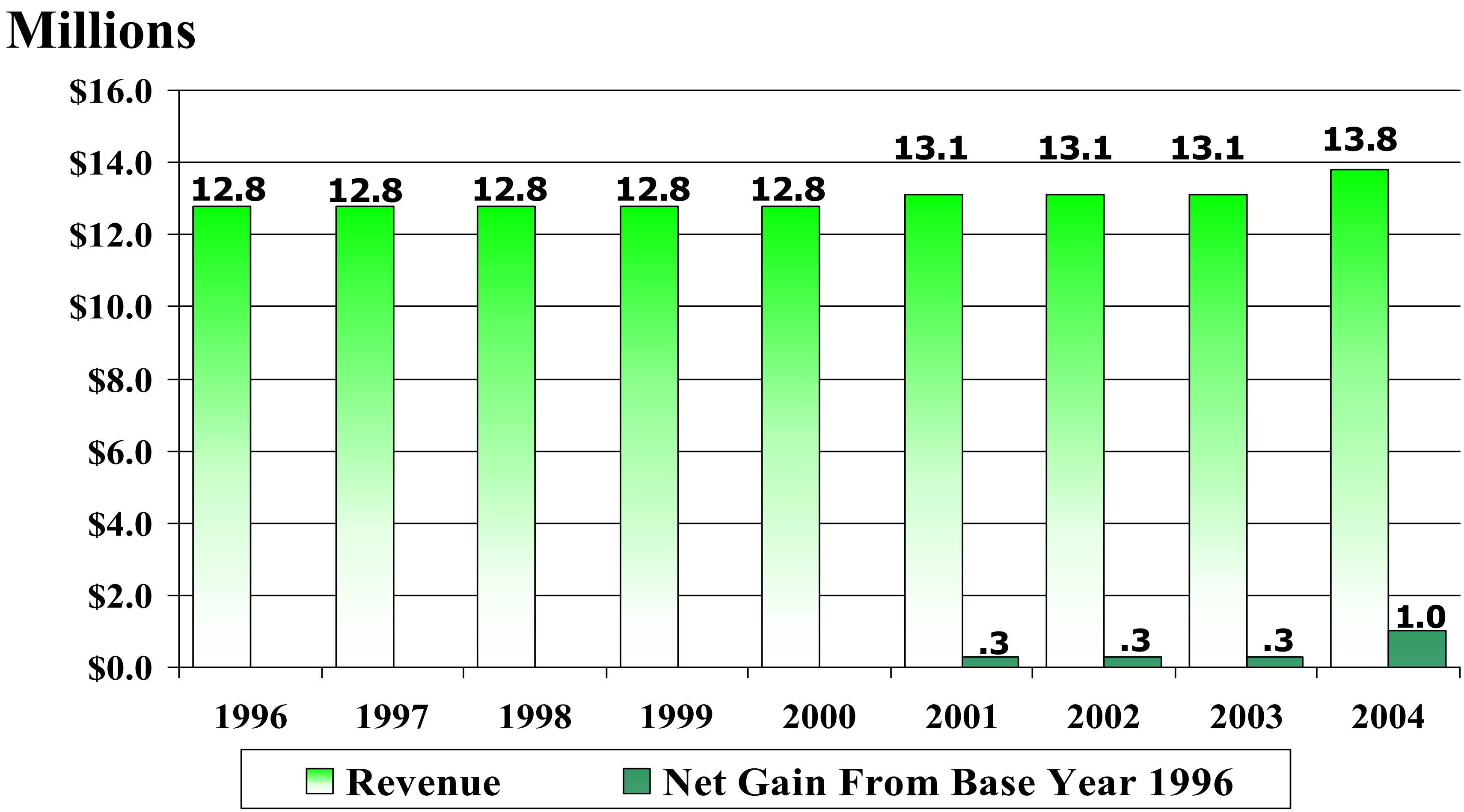
Information above has been derived by using the financial data for tax year 2003 and applying relevant depreciation rates for the period 1996-2004.

Depreciation Schedule for General Tangible Personal Property (Furniture/Fixtures)

Depreciation Schedules for General Tangible Personal Property (Furniture/Fixtures)

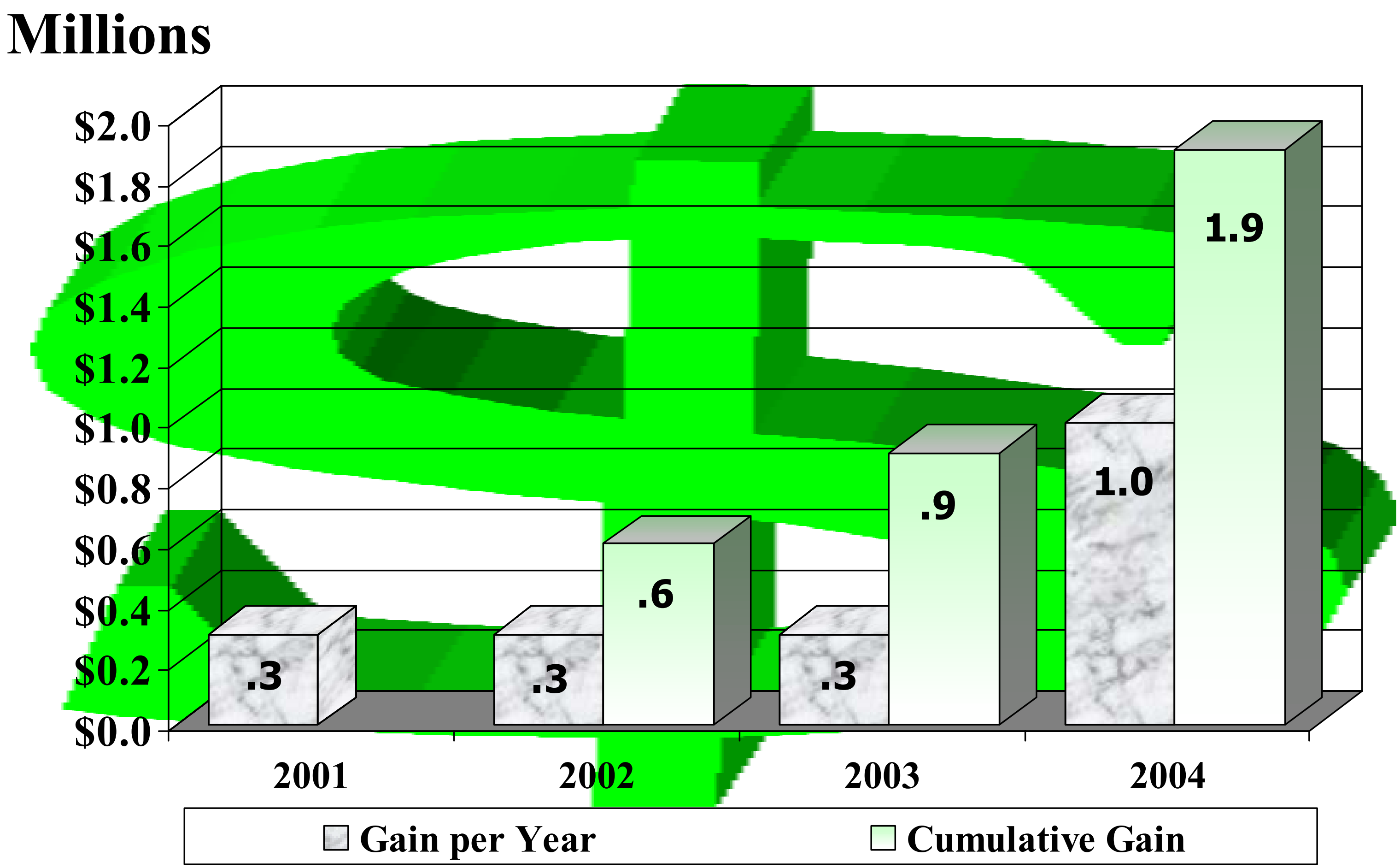
Year	1996	1997	1998	1999	2000	2001	2002	2003	2004
1	75%	75%	75%	75%	75%	75%	75%	75%	75%
2	60%	60%	60%	60%	60%	60%	60%	60%	70%
3	50%	50%	50%	50%	50%	50%	50%	50%	60%
4	40%	40%	40%	40%	40%	45%	45%	45%	50%
5	30%	30%	30%	30%	30%	40%	40%	40%	40%
6	20%	20%	20%	20%	20%	35%	35%	35%	35%
7	20%	20%	20%	20%	20%	30%	30%	30%	25%
8	20%	20%	20%	20%	20%	20%	20%	20%	20%
9	20%	20%	20%	20%	20%	15%	15%	15%	15%
10 +	20%	20%	20%	20%	20%	10%	10%	10%	8%

Revenue Attributable to Furniture/Fixtures



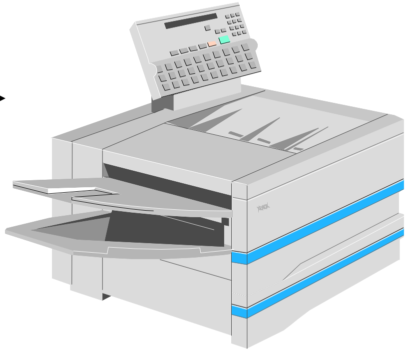
Information above has been derived by using the financial data for tax year 2003 and applying relevant depreciation rates for the period 1996-2004.

Increased Revenue Attributable to Adopting Accelerated Depreciation Schedule Furniture/Fixtures



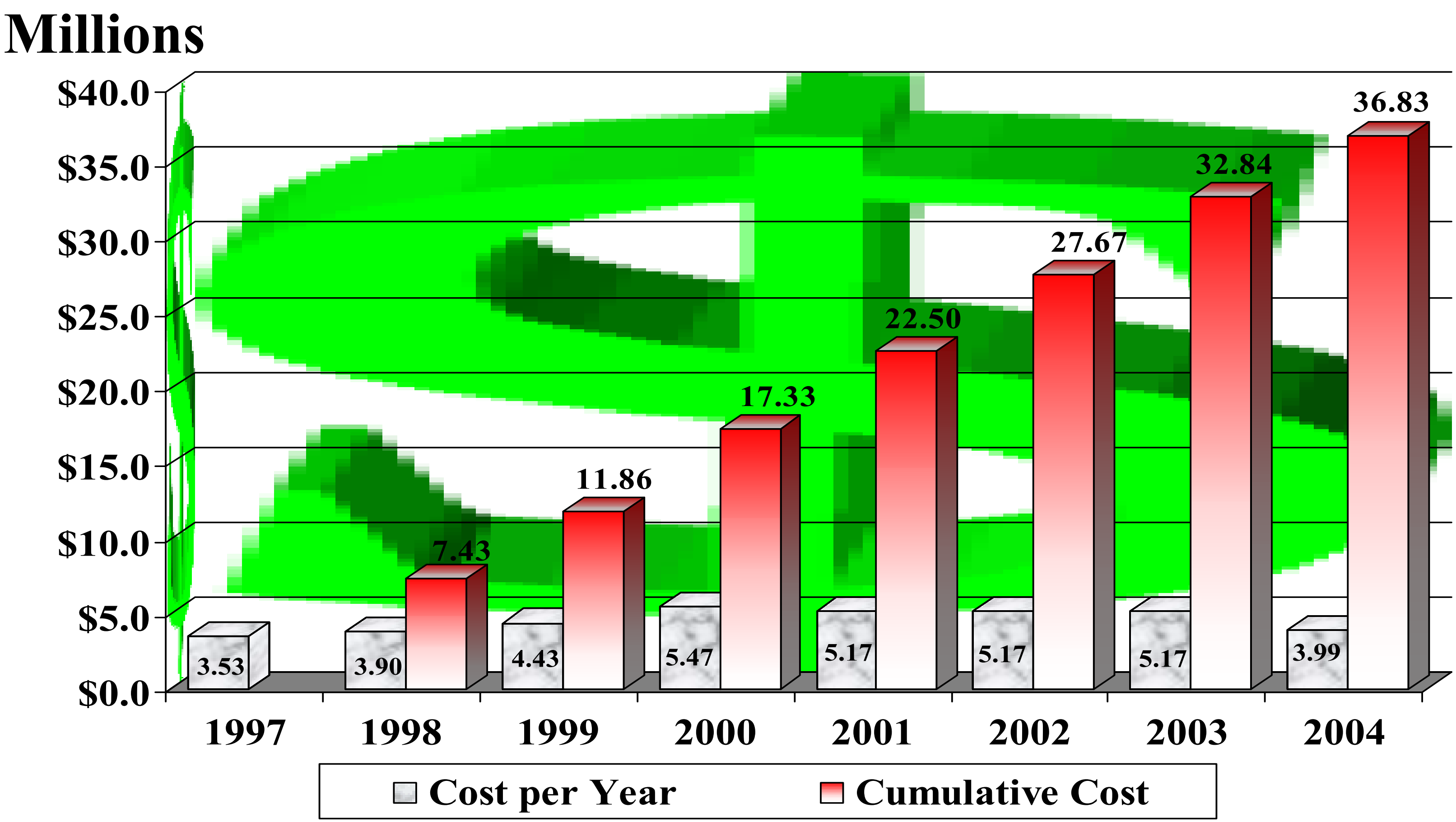
Information above has been derived by using the financial data for tax year 2003 and applying relevant depreciation rates for the period 1996-2004.

Summary



The County of Henrico has devoted a tremendous amount of time and resources to ensure its business community is assessed properly for personal property taxes. To the best of our knowledge and belief, we are the only governmental entity whose depreciation schedules are analyzed on a yearly basis to ensure they reflect current market conditions. We continue to receive accolades from a variety of sources based on our initiatives in this area, proving the "public sector" can respond to the challenges of keeping abreast of technological changes even in the field of taxation.

Cumulative Cost Attributable to Adopting New Depreciation Schedules for Computers, Machinery/Tools, and Furniture/Fixtures



Total Cumulative Cost for Computers, Machinery/Tools, and Furniture/Fixtures

Information above has been derived by using the financial data for tax year 2003 and applying relevant depreciation rates for the period 1996-2004.