51 jurisdictions. Zero consensus.

The map behind America's most complicated tax.

Guide

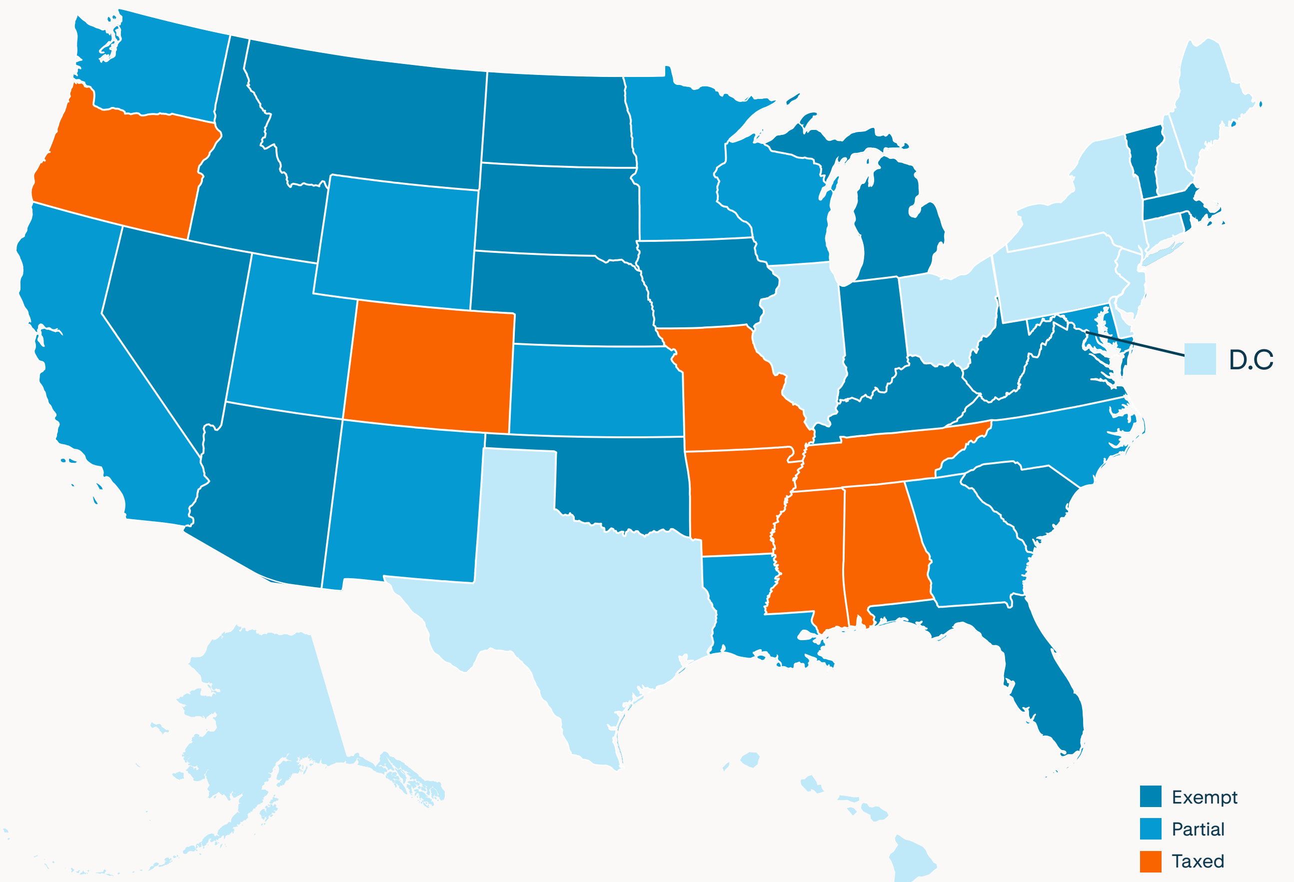
Contents

One asset. Fifty-one answers.

Look at the map. It answers a question most companies never think to ask: Does the assessor's opinion of your value stop at what you can touch — buildings, equipment, inventory — or does it sweep in your **intangible value** — the licenses, contracts, customer relationships, software, brand, and the **going-concern premium** of an assembled, operating business (its worth above the sum of its identifiable assets)? Accountants book part of that as "goodwill," appraisers call it going-concern or enterprise value, and assessors in some states call it **taxable**.

Ask that one question — is intangible value in the base? — across all 51 jurisdictions and you get the picture above: nineteen exempt it, seven tax it in the unit, twelve reach a partial result, and the rest either don't centrally assess or reach no intangibles at all. One question. Fifty-one answers. And it's just one line in a matrix with thousands of cells.

No two regions agree.



This is the quiet truth about property tax: It's arguably the most fragmented, least standardized tax in America — and almost nobody talks about it.

Income tax has one federal code. Sales tax, for all its rate noise, runs on transactions. Property tax runs on **judgment** — someone's opinion of value, applied to your assets, under rules that change at the state line and sometimes at the county line.

Consider what actually varies

Who assesses you

Some states centrally assess utilities, railroads, and pipelines as a single "unit." Others leave it to a county assessor with a clipboard. Florida centrally assesses essentially only railroads. Utah just reshuffled which telecom property is local. The map redraws itself constantly.

What's even taxable

Intangibles — software, licenses, customer relationships, goodwill — are exempt in one state and swept into assessed value next door, often through a valuation method rather than a statute.

When it's due

Lien dates, rendition deadlines, appeal windows, discount periods, installment options — all different, many set locally, several with no fixed statewide date at all.

And it keeps moving

Vermont repealed its telephone property tax on July 1, 2026. California reclassified VoIP into central assessment this year. The "right answer" you relied on last year may already be wrong.

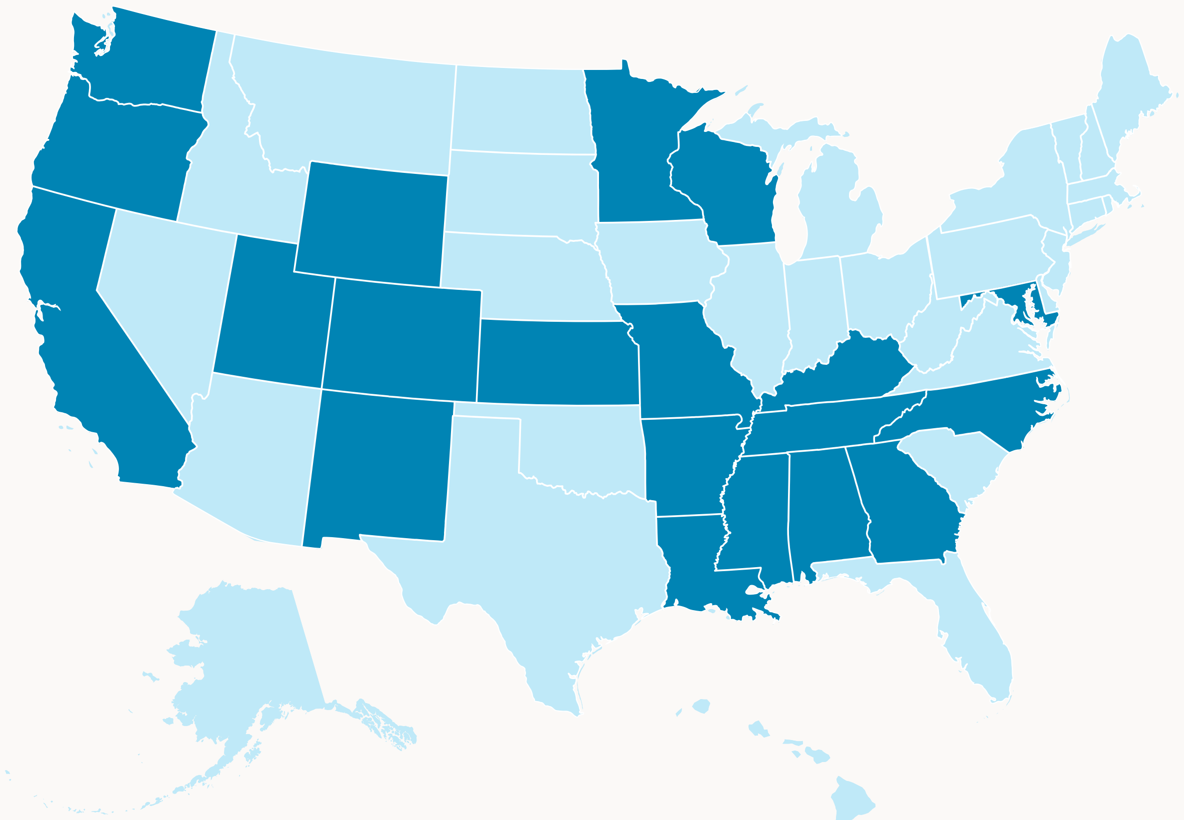
Here's why that matters

Property tax is frequently a company's **largest state and local tax line**, and it's assessed on someone else's estimate of value. Every misclassified intangible, every missed exemption, every blown appeal deadline is real money — and the complexity is precisely where overpayment hides.

So who actually taxes it?

For **centrally assessed** companies — utilities, railroads, pipelines, telecom — roughly **20 states reach intangible value in the unit**, embedding the going-concern premium (and often identifiable intangibles like licenses, customer relationships, software, patents, and trademarks) in the assessed value:

- Alabama
- Arkansas
- California
- Colorado
- Georgia
- Kansas
- Kentucky
- Louisiana
- Maryland
- Minnesota
- Mississippi
- Missouri
- New Mexico
- North Carolina
- Oregon
- Tennessee
- Utah
- Washington
- Wisconsin
- Wyoming



Another **18 states** run a central assessment but *exempt* intangibles within it, and **12 states** have no central assessment at all. Intangibles of *ordinary* businesses — as opposed to regulated, centrally assessed operations — are broadly exempt almost everywhere. Knowing *which* regime your assets sit in is the whole game.

But does it even exist on the lien date?

Here's where it gets conceptually strange. When the courts and the IRS define goodwill, they don't describe a thing — they describe an expectancy. The U.S. Supreme Court calls goodwill "the expectancy of continued patronage" (Newark Morning Ledger Co. v. United States, 507 U.S. 546 (1993)), noting it has "no determinate useful life." And the IRS's method for putting a number on it — the "excess earnings" formula (Rev. Rul. 68-609, 1968-2 C.B. 327) — is precise about what it captures: Take a business's earnings, subtract a fair return on the identifiable assets it actually owns, and whatever is left over — the excess earnings — is capitalized into going-concern value.

Sit with that, because it's the crux. Going-concern value is not the present value of your assets' income — that value already lives in the assets, and it's already on the roll.

It is the value of the earnings your identifiable property cannot explain: the return above a normal return on everything you actually own. By construction, that excess isn't thrown off by property sitting on your books on the lien date. It is the expected fruit of things that don't exist yet — future patronage, future management, and capital you have not yet deployed.

Now set that against what property tax is: an ad valorem tax on property as it exists on a single lien date — a snapshot of what you own on, say, January 1. The usual objection to taxing intangible value — "it's just future income" — is too weak, and worth retiring: Every asset's value is the present value of its future income; a building is worth the rent it will throw off, and we tax the building. Excess earnings are different in kind. They are, by definition, the slice of value left over after the assets you own are fully accounted for.

So, the question sharpens to its real edge: When an assessor loads going-concern value onto the roll, what article of property — existing and owned on the lien date — is actually being taxed? Or is the assessor capitalizing future excess earnings, the return on capital not yet spent, and business not yet done, and calling the result "property"?

That distinction is the live battleground, and it moves real money. States that reach going-concern value say a functioning enterprise's market value includes it on the lien date — because a buyer purchasing that business today would pay for it. Taxpayers answer that excess earnings are not a taxable article of property in existence on the assessment date; they are anticipated business income, earned by future investment and patronage, that the property-tax base was never built to capture — and that walks out the door with the customers and the management. Courts have split. It remains unsettled — and billions of dollars of assessed value ride on the answer.

Three ways to measure it — and each one leaks

There are three recognized approaches to value, and an appraiser is expected to consider each, develop the ones necessary for a credible result, and explain any left out (USPAP, Standards Rule 1-4 and the Scope-of-Work Rule; Appraisal Institute, *The Appraisal of Real Estate*). Every one of them struggles, in its own way, to value *only* the property the law actually taxes.

Cost approach

Take the replacement (or reproduction) cost of the asset new, then subtract every form of depreciation — physical deterioration, functional obsolescence, and external (economic) obsolescence (*IAAO, Property Assessment Valuation; ASA, Valuing Machinery and Equipment*). This is the closest thing to a purist's tool, because it's **built up from the individual, identifiable assets** — it names what it's valuing. That makes it the method that *most naturally tends* to capture only the taxable assets (tangible property, plus some cost-based intangibles). It isn't airtight — the cost approach can still pull in certain intangibles and famously tends to understate external obsolescence — but it starts from the assets, not the enterprise.

Market approach

Find comparable transactions and adjust them to the subject. The catch: Real-world sales are sales of *whole businesses*, carrying all their intangible and going-concern value along. To isolate the taxable assets, the appraiser must find comparable sales of just those assets — obscure, scarce, often nonexistent — or back the intangibles out by adjustment. Courts have tossed market indications for exactly this reason (e.g., *Heritage Cablevision v. Board of Review of the City of Mason City*, 457 N.W.2d 594 (Iowa 1990)).

Income approach

Estimate the present value of future income. The most powerful— and the most dangerous — because it values the entire earning enterprise as a whole, every intangible and going-concern dollar baked in. To reach taxable value the appraiser must isolate and strip out the income attributable to the nontaxable intangibles, and California's courts have held that a token management- or franchise-fee deduction (the "Rushmore Method") doesn't cut it (SHC Half Moon Bay v. County of San Mateo, 227 Cal. App. 4th 1395 (2014); Elk Hills Power v. Board of Equalization, 57 Cal. 4th 593 (2013)).

The pattern

The cost approach is **bottom-up** — it specifies the assets — while the market and income approaches are **top-down**, valuing everything together and then requiring the appraiser to carve back out what the law doesn't tax. Those carve-outs are difficult, contested, and seldom done with precision (see R.F. Reilly, *"Use of the Cost Approach to Assess Taxpayer Intangible Assets," J. Property Tax Assessment & Admin. (IAAO)*; R.G. Smith, *"The Continuing Conundrum of How to Exclude Goodwill in Unitary Property Taxation"*).

It's why the same property can draw wildly different "values" depending on the method — and who is holding the pencil.

And here is the crux for the income approach.

In our view, the most defensible way to value only the assets *in place on the lien date* is a **finite** income projection — tied to the **remaining economic life** of the existing assets, assuming no reinvestment of the fresh capital it would take to perpetuate the enterprise. A conventional going-concern discounted cash flow (DCF) does the opposite: It runs income into perpetuity and tacks on a terminal value — widely regarded in finance as the most treacherous number in the model — quietly capitalizing reinvestment and enterprise-continuation value attributable to assets *that don't yet exist*.

That reaches beyond the property on the roll.

In practice, going-concern income models dominate; the finite, no-reinvestment method is rarely what assessors actually use. Where it does apply, it rests on recognized inputs — remaining economic life and the appraisal "premise of value" for assets valued as they sit (ASA, *Valuing Machinery and Equipment*) — though it remains a reasoned position more than settled doctrine. Which is precisely why it gets litigated.

And it changes by who you are, not just where

Even within a single state, the answer can flip based on your industry — a second axis of complexity stacked on the first. A tangle of federal overrides and industry carve-outs means two companies on the same block, holding the same kind of intangible, can get opposite bills. A few of the big ones:

Railroads — the federal trump card

The 4-R Act (49 U.S.C. §11501(b)(4)) bars any tax that "discriminates against a rail carrier." In a state that taxes centrally assessed intangibles while exempting ordinary commercial property, taxing a railroad's intangibles can be struck down as discriminatory — as the Ninth Circuit held in *BNSF Ry. Co. v. Oregon Dep't of Revenue*, 965 F.3d 681 (9th Cir. 2020). Railroad intangibles can go free even where everyone else's are taxed (the shield has limits, though — *Dep't of Revenue of Oregon v. ACF Industries*, 510 U.S. 332 (1994)).

Wireless spectrum — you don't even own it

An FCC license isn't property you hold. By federal statute the United States keeps "control … over all the channels of radio transmission," granting only "the use of such channels, but *not the ownership* thereof … for limited periods" (47 U.S.C. §301). Many states therefore carve spectrum value out of the base by statute — Colorado provides that FCC wireless licenses "shall not be … reflected in the administrator's valuation" (C.R.S. §39-4-102(1)(b)), and North Carolina likewise excludes FCC-license intangibles (N.C. Gen. Stat. §105-333(17a)). Others still reach for it. Same license, different answer.

Cable franchise rights — pick a doctrine

Colorado exempts and caps cable intangibles while fully taxing telecom's (*Qwest Corp. v. Colo. Div. of Property Taxation*, 304 P.3d 217 (Colo. 2013)). New York taxes the franchise — but reclassifies it as real property under its "special franchise" regime (N.Y. RPTL §102(17)). Arkansas taxes a cable operator's franchise, customer relationships, and goodwill outright (*Falcon Cable Media LP v. Ark. Pub. Serv. Comm'n*, 2012 Ark. 463, 425 S.W.3d 704). Three states, three doctrines, one asset.

Software

Even where intangibles are taxed, operating software is frequently exempted (C.R.S. §39-3-118) — while "canned"/prewritten software gets treated as tangible and taxed in other states.

The long tail — still on intangibles

Broadband carve-outs and **owner-type** splits further complicate intangible property taxation. Arkansas, for example, exempts broadband intangibles acquired after 2015 (Ark. Code §26-26-1607(c)), while a regulated utility's plant may be centrally unit-valued even as the same plant owned by a merchant/IPP generator drops to local assessment — changing whether intangibles are reached at all.

And "locally assessed" is no safe harbor

It's tempting to file all of this under the exotic world of centrally assessed "unit" valuation — utilities and railroads. It isn't. Locally assessed property — the ordinary building, plant, and equipment a county assessor values — is, in California and many other states, barred from taxing intangibles at all. California is explicit: an assessor may assume the intangible rights needed to put property to beneficial use, but may not tax those intangibles or let them enhance taxable value (Cal. Rev. & Tax. Code §110; Cal. Const. art. XIII).

And yet intangible value keeps landing on local rolls anyway — which is why the fights never stop

Hotels and the contested line

California bars taxing a business's intangible value even at the local level — but *where* the line sits between the enterprise's intangibles and the property's own earning power is bitterly contested.

In *Olympic and Georgia Partners, LLC v. County of Los Angeles*, a Court of Appeal excluded two L.A. hotels' government occupancy-tax subsidies and "key money" as intangibles (90 Cal. App. 5th 100 (2023)) — **only for a divided California Supreme Court to reverse the decision in 2025**, holding the assessor *could* include them because they enhance the value of the property itself, not the business operating it (18 Cal. 5th 739 (2025)).

The court added that *Elk Hills Power v. Board of Equalization*, 57 Cal. 4th 593 (2013), states no categorical rule excluding every intangible-derived dollar. Two justices dissented. If California's highest court needs three opinions to place one hotel's line, picture the county assessor with a clipboard.

Software bundled with the hardware

Buy a piece of technology and its software often rides along on the invoice — and onto the assessment.

California exempts application software, custom *and* canned, from property tax; only the "basic operational program" that runs the machine is taxable (Cal. Rev. & Tax. Code §§995, 995.2; Property Tax Rule 152).

Courts confirm the exemption survives even when software is **bundled** with the hardware (*Cardinal Health 301, Inc. v. County of Orange* (2008) 167 Cal.App.4th 219) — but the burden is on the taxpayer to segregate and prove the software's value. Miss that step and you pay property tax on an intangible the law says can't be taxed.

The pattern is identical at both levels: The statutes put intangibles off-limits, the valuation methods pull them back in, and the only thing between a company and an over-assessment is knowing exactly where the line sits — and being ready to prove it.

And that's still only the **intangible** question. Zoom out and the exemption universe widens fast — inventory and free port, pollution-control equipment, renewable-energy abatements and PILOTs, enterprise-zone and economic-development deals — each with its own statutes and clocks. That's a story for another day.

The point here is narrower and sharper: Even confined to intangible value, "taxable" is never a one-word answer — it fractures by **state, assessment level (central or local), valuation method, lien date, and industry**, with a federal statute sometimes watching over the whole thing.

"It depends" isn't a cop-out here. It's the literal structure of the system.

Generic advice cannot survive contact with this map. What separates a guess from a defensible position is knowing — for *this* asset, in *this* jurisdiction, on *this* date — exactly how the rule reads and where the exceptions bite.

That's the work we do. We built the map above because we needed it ourselves — every determination tied to a primary source, every jurisdiction current, every moving deadline tracked. Complexity isn't something we apologize for — it's the terrain we've spent years learning to navigate, so our clients don't have to.

Property tax will never be simple. But it can be *known*. And in a system with fifty-one answers, knowing is the entire advantage.

Avalara

Curious how your assets are treated across the map?

Talk to Avalara Property Tax

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