

# Tangible Personal Property De Minimis Exemptions by State, 2024

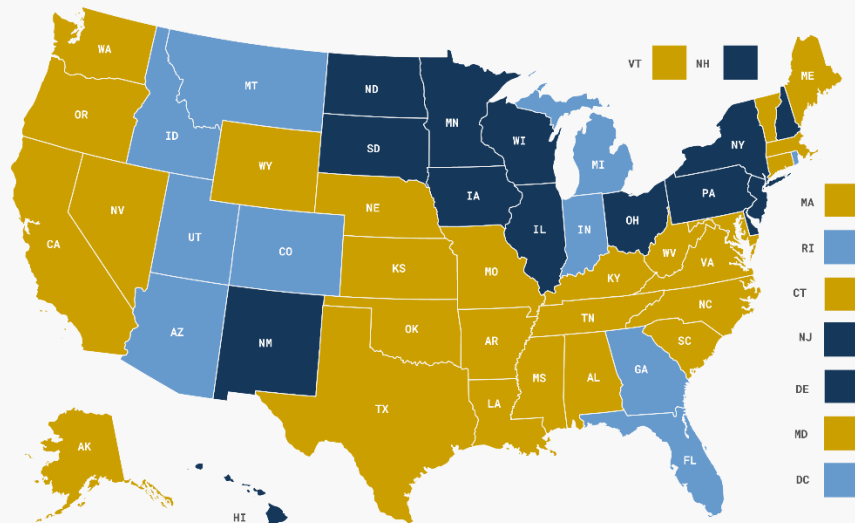
March 5, 2024 min readBy: [Jared Walczak](#)

In most states, businesses not only pay taxes on their real property (land and structures), but also on their machinery, equipment, fixtures, and supplies, which are classified as tangible personal property (TPP). For many small businesses, the amount owed is negligible, but the compliance costs can be considerable. By allowing a *de minimis* exemption for businesses with only modest amounts of property, states can eliminate these compliance costs for a trivial loss of revenue. Fourteen states broadly exempt tangible personal property from taxation, while another 10 impose taxes on TPP but offer *de minimis* exemptions to avoid unduly burdening businesses with only a small amount of potentially taxable property.

[Arizona](#), [Colorado](#), [Idaho](#), [Indiana](#), [Michigan](#), [Montana](#), and [Rhode Island](#) have TPP *tax de minimis* exemptions of \$50,000 or more, while [Florida](#), [Georgia](#), [Kentucky](#), and [Utah](#) have lower exemptions. (Kentucky, with an exemption of a mere \$1,000, is so low as to be excluded from the map below.)

## Many States Reduce the Burden of Personal Property Taxes

State Tax Treatment of Business Personal Property (2024)



Note: MN, NJ, NM, NY, ND, and SD generally exempt personal property, but may tax centrally assessed property or other limited classes of personal property. KY has a \$1,000 exemption, not included here because it is too small to meaningfully reduce compliance burdens for businesses. Sources: State statutes; Tax Foundation research.

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Unlike real property taxes, TPP taxes are taxpayer active, meaning that the taxpayer bears the responsibility of determining (subject to [audit](#)) their tax liability, rather than

receiving a tax bill from the government. Each business must itemize all personal property, with acquisition price and date, and depreciate it according to the appropriate schedule, to determine their taxable base.

We can see how this works by looking at the fairly typical case of [the District of Columbia](#). In D.C., there are different schedules or sub-schedules for (1) reference materials; (2) furniture, fixtures, and machinery and equipment; (3) motor vehicles not registered in D.C.; (4) miscellaneous tangible personal property; and even (5) supplies. For tax purposes, businesses must report office supplies like stationary and envelopes, or the office kitchen's cleaning supplies and cutlery. Outdoor holiday decorations are depreciated over five years, as are the business's carpets, while paper products are reported at full cost, and desks, chairs, and cabinets depreciate at 10 percent per year.

For small businesses, this can be a lot of work—often wildly disproportionate to the amount actually owed. Meanwhile, the vast majority of TPP tax collections come from a small number of businesses. In an ideal world, they would not pay TPP taxes either, but imposing significant compliance costs on businesses with negligible exposure to the tax is particularly hard to justify.

Consequently, exempting the personal property of small businesses is a highly economical way of reducing taxpayer compliance burdens. Idaho recently exempted 90 percent of all businesses at a cost of about 1.1 percent of [property tax](#) collections. Indiana exempted at least 70 percent of businesses for less than 0.5 percent of property tax collections. The District of Columbia exempted 97 percent of businesses from TPP taxes by forgoing less than 1 percent of its property tax revenue. And Colorado recently raised its threshold from \$7,900 to \$50,000—exempting the majority of businesses—at a cost of less than one-sixth of one percent (0.15 percent) of property tax revenue.

Crucially, businesses only get the true benefit of the exemption if they are not required to file. If they must still itemize and depreciate all property, the compliance cost benefits are eliminated.

The time and resources spent itemizing office chairs and adding up the cost of paper towels is a deadweight loss that hurts businesses without helping local governments, and the revenue generated from this exercise is too trivial to justify its imposition on businesses with minimal tax liability.