

Personal Property

What is Personal Property?

- ▶ Personal Property is property owned by an individual or business which is moveable and is not affixed to or associated with land.
 - ▶ Basically, everything except real estate
 - ▶ Includes equipment, office furniture, cars/trucks purchased and used by the business
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- ▶ Assessed by the town where the property is situated on the date of assessment
 - ▶ Exception may be some construction equipment which is off site at date of assessment

Class of Personal Property

- ▶ Locally Valued

 - Values set by the Local Assessor's Office

 - i.e. office furniture, inventory, machinery

- ▶ Centrally Valued

 - Values set by the Department of Revenue (DOR)

 - i.e. pipelines (more than 25 miles), poles, wireless

Classification of Personal Property

Personal Property	
Code	Description
501	Individuals, Partnerships, Associations, Trusts, LLCs
502	Business corporations
503	Classified manufacturing corporations as defined in Ch 63, Section 42B
504	Utility corporations, other than Telephone and Telegraph and Pipeline corporations
505	Machinery, Poles, Wires, etc of all Telephone and Telegraph companies.
506	Pipelines of 25 miles or more for transmitting petroleum or Natural Gas
508	Cellular/Mobile Wireless Telecommunications Companies
550	Electric Generation Plants
551	Electric Generation Plants (Transition Value)
552	Electric Generation Plants (Agreement Value)

What is included in Personal Property Value? 501

Classes are taxed differently based on the type of business

- ▶ 501 - Individuals, Partnerships, Associations, Trusts, LLCs
- ▶ 502 - Business corporations
- ▶ 503 - Classified manufacturing corporations

What is included in Personal Property Value? 501

Individuals, Partnerships, Associations, Trusts, LLCs

All personal property is taxable including:

- ▶ Stock in trade
- ▶ Machinery used in the conduct of business
- ▶ Personal property used in any cleaning or laundry process
- ▶ Machinery used in the refrigeration of goods
- ▶ Air condition of the premises
- ▶ All furnishings not kept at an individual's domicile.

What is included in Personal Property Value? 501 Examples

- ▶ Poles, underground conduits, wires and pipes

Includes: parking lot lights with their corresponding poles, wires, etc. located in a parking lot owned by the business.

- ▶ Machinery

Includes: manufacturing machinery, copying and reproduction equipment, typewriters, computers and word processing equipment, appliances, and any other machines and mechanical devices

- ▶ Tools and Equipment

Includes: business and professional tools and equipment including restaurant, laboratory and medical equipment. Taxable tools are tools of a professional (doctor, dentist, lawyer, accountant, etc.)

Does not include: Tools of a mechanics trade. i.e. instruments of a plumber, carpenter, auto mechanic, or other tradesman such as wrenches, saws, hammers.

What is included in Personal Property Value? 501 Examples

- ▶ Business Furniture and Fixtures

Includes: business, professional, commercial, or service fittings and furnishings (desks, tables, cabinets, display cases, rugs, floor coverings, draperies, lamps, specialized lease-hold improvements (like restaurant fittings, modular walls, etc.), works of art and decorations, books and professional libraries, other fittings

- ▶ Merchandise

Includes: goods, wares, any stock in trade in any store or other place of sale, in any warehouse or other place of storage, out on lease or consignment, etc., including work in progress

ie. Retailers inventory - shoes in a shoe store, any materials or supplies used to produce a finished product (paint for a house painter)

- ▶ Unregistered Motor Vehicles and Trailers

What is **NOT** included in Personal Property Value? 501

Individuals, Partnerships, Associations, Trusts, LLCs

- ▶ motor vehicles, trailers, boats already taxed by excise, non-commercial registered planes.
- ▶ Household furnishings at the place of domicile
- ▶ Farm utensils, Farm Animals, machinery and equipment
- ▶ Tools of a mechanic's trade: instruments of a plumber, carpenter, auto mechanic or other tradesman such as hammers, wrenches and saws.
- ▶ Manufactured homes in manufactures home parks

What is included in Personal Property Value? 502

Business Corporations (in the Corporations Books)

Corporations already pay an annual excise to the DOR, paying an additional personal property tax would be double taxation

- ▶ Machinery used in the conduct of business, except stock in trade or machinery directly used in the connection with dry cleaning or laundering processes, refrigeration of goods, air conditioning or premises or in any purchases, selling, accounting or administrative function.
- ▶ Underground conduits, poles, wires and pipes

What is included in Personal Property Value? 502

Business Corporations

Items that are taxable include:

- ▶ Machines providing entertainment: pinball machines, video games, TVs, juke boxes.
- ▶ If the machine is used to provide a service or produce a product for sale, it is taxable. The copier of an incorporated copying business is used to generate a service and is taxable.

What is included in Personal Property Value? 503

Manufacturing Corporations

- ▶ Manufacturing Corporations are: Businesses that are classified by the Department of Revenue as Manufacturing Corporations
- ▶ Taxable on: poles, underground conduits, wires and pipes

What is included in Personal Property Value? 504

Utility Corporations

Utility Corporations are: Businesses other than Telephone & Telegraph and Pipeline

Taxable on:

- ▶ poles, underground conduits, wires and pipes
- ▶ Machinery used in the conduct of business, except stock in trade or machinery directly used in connection with dry cleaning or laundering processes, refrigeration of goods, air condition of premises or in any purchasing, selling accounting or administrative function

What is included in Personal Property Value? 505

Machinery, Poles, Wires and Underground Conduits, Wires and Pipes of all Telephone and Telegraph Companies, as determined by the Department of Revenue

Method of Assessment

Personal property is assessed at fair cash value as of January 1 each year per MGL Ch 59, Sec 38

- ▶ The cost method is usually used to estimate the value of the personal property
- ▶ Cost manuals
- ▶ Reproduction, replacement, or original cost, less depreciation can be used
- ▶ Income and sale approach can be used in special situations but are considered less reliable for personal property

Method of Assessment

RCNLD - Replacement Cost New Less Depreciation

- ▶ What did the owner pay for the item?
- ▶ Find identical item **new** for sale - apply depreciation
- ▶ Find original historic price and use inflation rate calculator for the age
- ▶ Find identical items used for sale in identical condition sold in recent past

“Depreciation is based on age, condition and quality of the property. Property still in use has a utility value even if its life expectancy has been exceeded and it has zero value for accounting or regulatory purposes.”

Method of Assessment

- ▶ Suggested life expectancy for capital assets can be found on the US Bureau of Labor and Statistics
- ▶ Straight line depreciation down to 20% of the original value in # of years
- ▶ Massachusetts has its own Personal Property depreciation schedule

Appealing Personal Property Assessments

Abatement Applications have to be filed between January 1st and February 1st (or the date that the 3rd quarter tax bills are due)

If no form of list was filed for the year, abatements cannot be given for overvaluation.