

Massachusetts Personal Property Tax

I. General Information

The Personal Property Tax is assessed separately from real estate. This tax is assessed upon non-real estate, tangible assets. These assets are composed of goods, material objects and other things capable of material ownership that are not part of real estate.

Personal property is assessed by the town where the property is "situated" on the assessment date. In limited circumstances personal property may be assessed by the community in which the owner is an inhabitant on January 1st, even if the property is located in another community on that day. This primarily applies to items that may not be permanently situated in a town, such as construction equipment.

The assessment date for the Fiscal Year is the January 1st preceding the start of the Fiscal Year. Each business is assessed based on its existence on the assessment date. Thus any business that existed on January 1st would be billed for the entire fiscal year. This applies to businesses that have closed or relocated during the year so that any business that closed or relocated after Jan 1st will still be billed for the entire Fiscal Year. It should be noted that the reverse of this situation is also true in that any business that opens after Jan 1st will not be billed for the Fiscal Year.

A form of List (State Tax Form 2) must be filed each year by all individuals, partnerships, associations, trusts and corporations that own or hold personal property on January 1st unless expressly exempt. A form of List must be filed by March 1st with the Board of Assessors unless an extension is granted. Request for an extension must be made in writing to the assessors and can only be granted for 30 days.

The information in the Form of List is used by the Board of Assessors to determine the taxable or exempt status of personal property and, if taxable, its fair market value. The Assessors may request further information about the personal property in writing and seek cooperation to inspect it if necessary. Forms of List are confidential and therefore are not available to the public for inspection under the public records law. They are available only to the Board of Assessors and Massachusetts Department of Revenue for the purpose of administering the tax laws.

II. Taxable Personal Property

The following summarizes the personal property that is taxable and must be listed in a Form of List. This summary is formatted by the type of business ownership, since the type of ownership affects which items will be taxed locally. Most corporations pay a corporate excise to the Commonwealth of Massachusetts on their furniture, fixtures, equipment and inventory so they are exempt from paying a personal property tax locally on these items.

Individuals, Partnerships, Associations or Trusts

Individuals, partnerships, associations or trusts are taxable on all tangible personal property except: motor vehicles and trailers subject to an excise, boats subject to an excise and non-commercial registered airplanes. Individuals are not taxable on the following additional items: household furniture and effects at the place of domicile, farm utensils and tools of a mechanic's trade. Some examples of taxable items would be:

A. Poles, underground conduits, wires and pipes

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

B. Machinery

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

C. Tools and Equipment

Includes business, or professional tools and equipment, including restaurant, laboratory and medical equipment. Examples of non taxable "tools of a mechanics trade" are the instruments of a plumber, carpenter, auto mechanic or other tradesman such as: wrenches, hammers and saws. Taxable tools are implements of a professional (doctor, dentist, lawyer or accountant) such as: medical instruments or dental drills.

D. Business Furniture and Fixtures

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

E. Merchandise

Includes goods, wares, or 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. This could be represented by a retailers inventory (the shoes of a shoe store) or any finished goods or products that may be for sale or lease. These items may also include any work in progress such as a partially completed product (furniture being built, jewelry being made) and any materials or supplies used to produce a finished product (paint for a house painter).

F. Unregistered Motor Vehicles and Trailers

G. Other

Includes: animals, forest products and all other tangible personal property not specifically exempt from taxation.

Business Corporations
(*Excludes: utilities, certain insurance co.'s, certain banks, and mfg. corps*)

Business corporations are taxable on poles, underground conduits, wires and pipes. They are also taxable on all "machinery used in the conduct of business" except:

1. Machines that are stock in trade. Inventory for sale such as copy machines for sale by a copy machine distributor, or inventory for lease such as a computer being leased by a computer company is not taxable.
2. Machinery used directly in the dry cleaning or laundering process; to refrigerate goods or to air condition premises. Sewing machines and a mechanical clothes rack are not directly used in the cleaning or laundering process and would be taxable even if owned by an incorporated dry cleaners. Refrigerators or air conditioners used in an incorporated restaurant or a supermarket would be non taxable.
3. Machinery used directly in the purchasing, selling, accounting or administrative function of the business. For example, the vending machines, bill changers and cash registers are not taxable because they are used in a selling or purchasing function. Taxable are those machines providing entertainment, such as pinball machines, video games and juke boxes. Machines that are used specifically and primarily for accounting or administrative functions are not taxable. If the machine is used to provide service or produce a product for sale, it is taxable. For example, a photocopier owned by an incorporated restaurant and used in an administrative or accounting function in keeping the internal records for the business would not be taxable. Conversely, the photocopier of an incorporated copying business is used to generate a service, copying for a fee, and is taxable.

Manufacturing Corporations
(Classified as "Manufacturing" by the Department of Revenue)

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

Other Corporations

Corporations that are not business corporations or manufacturing corporations are handled separately. The personal property reporting for these other corporations is outside the scope of this brochure.

III. Appealing the Personal Property Tax

If the taxpayer feels that the personal property tax should not have been assessed or if the amount of the assessment is too high due to an error, an application for abatement can be made. This application must be filed with the Board of Assessors only on the 3rd quarter tax bill. The application must be received no later than the due date of the bill (this bill will list the valuation and taxes due).

If no Form of List was filed for the fiscal year, the assessors cannot grant abatement for overvaluation of the personal property for that year. If the Form of List is not filed on time, the assessors can only grant abatement if the taxpayer shows a reasonable excuse for the late filing, or the tax assessed is more

than 150% of the amount that would have been assessed if the list had been filed on time. In that case, only the amount over the 150% of the correct value can be abated.

V. Summary

The personal property tax is levied principally on business and is based upon the non-real estate, tangible assets of the business.

Each business must file a personal property Form of List with the assessor's office by March 1st. This form enables a business to provide a list of its current assets to the Board of Assessors.

Unincorporated businesses must report on all machinery used in the conduct of business except for that machinery used only for administrative purposes.

Classified manufacturers need only report on: poles, underground conduits, wires and pipes.

Abatements must be filed only on the 3rd quarter tax bill. The application must be received no later than the due date of the bill.

Questions regarding any aspect of personal property taxation should be addressed to the assessor's office (781)270-1650.