

P e r s o n a l P r o p e r t y

TAXPAYER INFORMATION GUIDE

This brochure provides basic information about personal property taxation in Massachusetts. If you have specific questions regarding this topic, please call the Assessor's Office.

All personal property situated in the Commonwealth of Massachusetts, and personal property belonging to the inhabitants of the Commonwealth wherever situated, is subject to taxation unless expressly exempted by law.

WHAT PROPERTY IS TAXABLE?

Tangible (that is, physical) property is subject to the personal property tax unless exempted by statute. Items defined as tangible personal property range from the chairs in a barber shop to the furnishings of a doctor's waiting room; from the drills used by a dentist to the poles owned by a utility company.

WHAT PROPERTY IS EXEMPT?

Tools employed by a plumber, carpenter, auto mechanic, and other trade professionals are exempt from the personal property tax. In legal terms, this exemption covers "tools of trade" of a "mechanic" (e.g. small tools that can fit in a tool box). Boats, fishing gear, and nets – up to \$10,000 in value – owned and used in a commercial fishing business are exempt.

Tools of other professionals not listed in the above paragraph are considered taxable. These include dentist's drills and x-ray machines. Computers are also subject to the personal property tax, *but in cases where they are utilized by a corporation for internal purposes only* (e.g. for such functions as internal accounting or administrative operations), computers are not subject to taxation.

Tangible personal property subject to some other type of local tax is also exempt from the personal property tax. Motor vehicle and trailer excise, ship and boat excise, the farm animal and equipment excise, and mobile home park license fees are all included in this category.

Intangible personal property is exempt from the personal property tax. Intangible property includes stocks, bonds, cash, mortgages, and other evidence of ownership or property rights.

INDIVIDUALS, SOLE PROPRIETORS, PARTNERSHIPS, TRUSTS

Property owned by an individual is taxable, except for wearing apparel, farming utensils, tools of trade of a mechanic, as well as *household* furnishings and fixtures at the person's domicile, which are exempt.

Property of Partnerships, Trusts, Estates and Joint Owners are taxable except personal property subject to some other type of local excise, license, or registration fee.

CORPORATIONS

For business corporations, poles, underground conduits, wires and pipes (property generally owned by utility companies) and machinery used in the conduct of business are taxable.

The term "machinery used in the conduct of business" does not include personal property directly used in any purchasing, selling, accounting, or administrative functions, nor does it include inventory or

stock in trade, or personal property directly used in connection with laundering or dry-cleaning processes, the refrigeration of goods or in the air conditioning of the premises. Such property is, therefore, exempt.

When, however, “machinery” is used primarily on behalf of the corporation’s customers (e.g. using computers and equipment to process data on behalf of clients), then the machinery is not exempt from taxation.

MANUFACTURING CORPORATIONS **(DOMESTIC & FOREIGN)**

Poles, underground conduits, wires and pipes of manufacturing corporations are taxable.

Machinery of a manufacturing corporation (domestic or foreign) is not subject to personal property taxation. The Commissioner of Revenue for the Commonwealth determines what is a manufacturing corporation.

LIMITED LIABILITY COMPANY, (LLC)

An LLC is a flexible form of business enterprise that blends elements of partnership and corporate structure. An LLC can elect to be taxed as a sole proprietor, partnership, S corporation, or a C corporation, with the IRS. This election will determine how you are taxed for Personal Property, and you must indicate the status on the Massachusetts State Tax Form 2, (Form of List).

ALL OTHER DOMESTIC CORPORATIONS

All other domestic corporations (including all that are subject to taxation under Chapter 63 of the Massachusetts General Laws, such as insurance companies, utilities, savings banks, credit unions and cooperative banks) are subject to taxation on poles, underground conduits, wires and pipes; as well as machinery used in the manufacture or in the supply or distribution of water.

WHERE THE PERSONAL PROPERTY IS ASSESSED

Generally, all tangible personal property is assessed in the city or town in which the personal property is situated as of January 1. The principal exception is in situations where personal property has only a temporary location as of January 1. In the latter case, the property is assessed at the residence of the owner.

FORM OF LIST

Each year, prior to March 1, all persons subject to taxation in a city or town must submit a list of all their personal property, which is not exempt from taxation. These personal estate items must be included on the documentation known as the **Form of List**. Blank **Forms of List** are available at the Assessor’s Office.

Taxpayers are not required to estimate the value of property included on the **Form of List**. The Assessing Department will determine the valuation, based on standard reference tables. In the event that a taxpayer does not submit the list, the assessor will ascertain, as best they can, the personal estate belonging to the taxpayer and will estimate its value.

THE FORM OF LIST IS NOT OPEN TO PUBLIC INSPECTION.

CYCLICAL INSPECTIONS

State Mandated Cyclical Inspections, as required by Massachusetts General Law, Chapter 59, are on a 5-year rotating schedule. An inspection consists of assessing personnel conducting a brief interior and exterior observation of the space that a business occupies. The inspections are done to ensure that the information in the assessment database is current with the actual personal property assets at the business site, and ultimately ensures an accurate tax assessment. **The Assessors’ Office will not force a business owner to allow an inspection, however, a refusal**

could result in a denial of any local assessment appeal and concurrently an estimation of value will be made.

PENALTY

There is a penalty for failing to file the **Form of List** pursuant to Massachusetts General law Chapter 59, Section 64. A personal property taxpayers' application for abatement may not be granted unless the taxpayer can show good cause for failure to file timely. Further, if the assessment of the personal estate exceeds by 50% the amount, which would have been assessed, had the list been timely filed, then only the amount which exceeds this 50% may be abated.

INFORMATION REQUESTS

The Assessing Department may require an owner or lessee of personal property to provide certain information in writing, as may be reasonably necessary, to determine the actual fair cash valuation of the property. Failure to comply with the request within thirty (30) days will bar any appeal of the tax assessed unless the owner or lessee was unable to comply with the request for reasons beyond his or her control. Any false statement that is knowingly made will also bar the taxpayer from any statutory appeal.

Personal Property schedules are used only by the Assessor's Office and are not open to public inspection.

ABATEMENT OF TAX

Applications for abatement must be filed with the Board of Assessors not later than due date of first actual (not preliminary tax) payment for fiscal year (3rd quarter bill).

Applications may be obtained at the Assessor's Office.

FOR INFORMATION ON:

- Your bill amount
- Bill payments
- Tax delinquencies

Call the **Collector's Department** at (978) 619-5621

FOR ASSISTANCE ON:

- Personal Property Exemptions
- Abatements
- Other concerns about your property tax assessment
- Scheduling the mandated inspections (*which typically take no more than 10 minutes of your time*)

Call the **Assessing Department** at (978) 619-5608.

Assessors Office Hours

Monday-Wednesday

8:00 a.m. to 4:00 p.m.

Thursday 8:00 a.m. to 7:00 p.m.

Friday 8:00 a.m. to 12:00 p.m.

******IF YOU CLOSE OR MOVE YOUR BUSINESS, PLEASE CONTACT US IMMEDIATELY
TO AVOID ANY POTENTIAL UNNECESSARY BILLS******

Thank You!

**CITY OF SALEM, MA
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