

SMALL PERSONAL PROPERTY EXEMPTION FTM 2022

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What is it and Why is it being proposed?

GOAL: INCREASE THE MINIMUM PERSONAL PROPERTY TAX VALUE

- Why?
 - As the following slides will indicate, much time and effort is spent in a process that truly leads to very minimal returns.
 - Once you consider the costs associated we are likely barely covering our costs, let alone making money.
 - Passing of this article will free up both Assessor and Collectors office resources to focus on higher priority tasks
 - If this article is not passed, funding will likely be requested in the future to accurately assess these accounts.
- Important Note- The passing of this Warrant article in no way affects the levy, levy limit, or general ability to tax. Any taxes “lost” are picked up by other taxpayers.

GOAL: INCREASE THE MINIMUM PERSONAL PROPERTY TAX VALUE

- This article proposes to set a minimum Personal Property assessment in the amount of \$9,999 for taxation purposes beginning in FY24.
- All personal property accounts with an assessment under \$10,000 will not be billed and accounts assessed \$10,000 and over will continue to be taxed.
- This is a local option that has been utilized by many communities in the State.

GOAL: INCREASE THE MINIMUM PERSONAL PROPERTY TAX VALUE

- What will this presentation cover?
 - What is Personal Property tax?
 - How does PP affect our tax base?
 - How does this warrant article affect our tax base?
 - Who and what type of businesses would benefit from this?
 - A sample small business account
 - A sample low valued corporation account

WHAT IS PERSONAL PROPERTY TAX?

- 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.
- The type of business defines what is locally taxable.

		TAXABLE PROPERTY				
BUSINESS TYPE	CLASS	POLES, CONDUITS, WIRES, PIPES	MACHINERY	TOOLS & EQUIPMENT	FURNITURE & FIXTURES	MERCHANDISE
INDIVIDUALS, PARTNERSHIPS, LLC'S	501	X	X	X	X	X
BUSINESS CORPORATIONS	502	X	X			
MANUFACTURING CORPORATIONS	503	X				
UTILITY CORPORATIONS	504	X	X			
TELEPHONE & TELEGRAPH	505	X				
CELLULAR/MOBILE WIRELESS	508	X				
ELECTRIC GENERATION-PILOTS*	552					

**Note that this is condensed for ease of use. There are various exemptions for many property types and property that are outside the scope of this discussion. Focus is on the 501 & 502 classes as other classes values are greater than \$10,000*

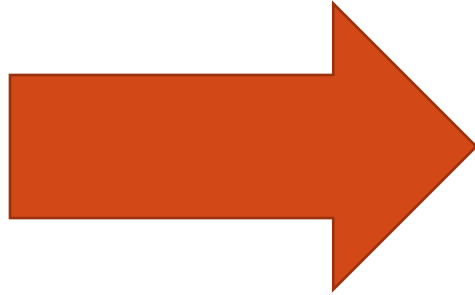
TAX BASE ANALYSIS

- Personal property is an important part of our tax base. In FY22, the personal property class paid slightly over \$3 million dollars in taxes or roughly 2.3% of our levy. Its total value was over \$225 million dollars.

FY22 TAX BASE INFORMATION				
PROPERTY CLASS	VALUATION	LEVY PCT	LEVY	TAX RATE
RESIDENTIAL	\$ 7,891,145,514	80.4729%	\$ 105,267,881.16	
COMMERCIAL	\$ 1,639,806,886	16.7225%	\$ 21,875,023.86	
INDUSTRIAL	\$ 49,536,800	0.5052%	\$ 660,820.91	
PERSONAL	\$ 225,477,470	2.2994%	\$ 3,007,869.45	
TOTALS	\$ 9,805,966,670	100.0000%	\$ 130,811,595.38	13.3400
		AVG 1FAM TAX BILL		\$9,157.23

PERSONAL PROPERTY TAX BASE ANALYSIS

- These are our FY22 PP values by business class



- Of note, almost 60% of our taxable PP value comes from 3 accounts. These are the Utility class, NSTAR electric, NSTAR gas, and Boston Gas.

PP ACCOUNTS & VALUES BY CLASS			
CLASS	ACCOUNTS	TOTAL VALUE	PCT OF LEVY
501	993	\$ 36,327,930	16.1%
502	608	\$ 27,412,500	12.2%
503	1	\$ 288,460	0.1%
504	3	\$ 130,270,680	57.8%
505	12	\$ 26,387,300	11.7%
508	4	\$ 4,165,280	1.8%
552	2	\$ 625,320	0.3%
Grand Total	1623	\$ 225,477,470	100.0%

TAX BASE ANALYSIS

- These are our PP values in the 501 and 502 classes as all other classes are over the \$10,000 maximum allowance:
- What this shows is that we have 562 accounts with annual bills between \$13.34 and \$26.67

ACCOUNTS AND VALUES BY ASSESSED VALUE GROUP				
ASSESSED VALUE	TOTAL ACCOUNTS	PCT OF ACCTS	TOTAL VALUE	PCT OF TOTAL VALUE
\$1000-\$1999	562	35%	\$ 779,080.00	0.35%
\$2000-\$2999	199	12%	\$ 483,250.00	0.21%
\$3000-\$3999	107	7%	\$ 366,940.00	0.16%
\$4000-\$4999	89	5%	\$ 403,930.00	0.18%
\$5000-\$5999	56	3%	\$ 304,820.00	0.14%
\$6000-\$6999	55	3%	\$ 353,450.00	0.16%
\$7000-\$7999	43	3%	\$ 319,910.00	0.14%
\$8000-\$8999	34	2%	\$ 291,880.00	0.13%
\$9000-\$9999	32	2%	\$ 303,440.00	0.13%
\$10,000+	446	27%	\$ 221,870,770.00	98.40%
Grand Total	1623	100%	\$ 225,477,470.00	100.00%

TAX BASE ANALYSIS

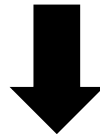
- This chart illustrates the accounts proposed to be exempted, valued between \$1,000 and \$9,999
- It shows that 73% of our accounts account for 1.6% of our taxable PP value.

ACCOUNTS AND VALUES BY ASSESSED VALUE GROUP				
ASSESSED VALUE	TOTAL ACCOUNTS	PCT OF ACCTS	TOTAL VALUE	PCT OF TOTAL VALUE
\$1000-\$9999	1177	73%	\$ 3,606,700.00	1.60%
\$10,000+	446	27%	\$ 221,870,770.00	98.40%
Grand Total	1623	100%	\$ 225,477,470.00	100.00%

TAX BASE IMPACT

- The following shows the impacts of the available options:

MINIMUM VALUE	TAX RATE	MINIMUM ANNUAL PP TAX BILL	TAX RATE CHNG	SINGLE FAM TAX BILL	CHANGE IN CURRENT SINGLE FAM TAX BILL	# BUSINESSES EXEMPTED
\$ 1,000	\$ 13.3400	\$ 13.34		\$ 9,157.23	N/A	
\$ 2,000	\$ 13.3411	\$ 26.68	\$ 0.0011	\$ 9,157.96	\$ 0.73	562
\$ 3,000	\$ 13.3417	\$ 40.03	\$ 0.0017	\$ 9,158.41	\$ 1.18	761
\$ 5,000	\$ 13.3428	\$ 66.71	\$ 0.0028	\$ 9,159.13	\$ 1.90	957
\$ 10,000	\$ 13.3449	\$ 133.45	\$ 0.0049	\$ 9,160.60	\$ 3.37	1177



**Note the rounding-* in every case the tax rate would have rounded down to \$13.34.
Thus, there would have been **ZERO** impact on the Single Family Tax bill.

WHAT TYPE OF BUSINESSES WILL BE EXEMPTED

- The first business type is the 501 class- Individuals, Partnerships, LLC's
- The assessors “discover” these businesses when an individual files a business certificate with the Town Clerks office in order to get a checking account in the business name.
- For example; Eric's Assessing services. The value of this business is in the knowledge and skills of the owner, not necessarily machinery, inventory, or equipment.
- Note that even though these assets are mostly used for personal use, they become 100% taxable.

ASSETS	ACQUISTION YEAR	ORIGINAL COST	MARKET VALUE
IPHONE 8	2022	\$ 1,000.00	\$ 600.00
DESK-STAPLES	2010	\$ 120.00	\$ 50.00
CHAIR	2010	\$ 75.00	\$ 50.00
LAPTOP	2012	\$ 450.00	\$ 50.00
PRINTER	2018	\$ 150.00	\$ 50.00
ASSESSING TEXTBOOKS	MISC	\$ 700.00	\$ 150.00
MISC PENCILS, STAPLERS ETC	MISC	\$ 100.00	\$ 50.00
TOTAL:			\$ 1,000.00

WHAT TYPE OF BUSINESSES WILL BE EXEMPTED

- These are generally home based businesses.
- Other examples of these small businesses and their taxable assets include:
 - Home Daycares: toys, furniture, children's books
 - Painter: paint brushes, ladders, drop cloths
 - Artist: paint brushes, canvas,
 - Fitness trainer: exercise bands, mats
 - Home baker: muffin tins, measuring cups

WHAT TYPE OF BUSINESSES WILL BE EXEMPTED

- The second business type is the 502 class- Corporations
- As noted on slide 4, the primary asset taxed locally is Machinery. Note that corporations pay a corporate tax which covers their other assets.
- Examples of these small valued corporations include:
 - Mall Retailer: stereo system
 - Bakery: coffee pot, panini press

Types of corporations with no machinery: lawyers offices, management corporations, sales people

CURRENT COSTS

- **Collection Costs**

- We bill quarterly and have to pay for postage, paper, and processing.
- PP is difficult to collect. There is little recourse for the Town with non-paying businesses. The property cannot be liened like real estate. You can hold up permits or licenses or take the business to small claims court.
- The following is the collection rate for FY20 based on Assessed Value

ASSD VALUE	PCT PAID
< \$2000	78%
\$2000-4000	74%
\$4000-6000	81%
\$6000-8000	86%
\$8000-10000	89%
>\$10,000	90%

CURRENT COSTS

- Assessing Costs
 - We recently completed a RFP that included new software system along with inspections for our FY24 DOR Certification process.
 - The cost for listing and valuation of each account was \$56 per account.
 - We **did not** include the lower valued businesses as part of this contract.
 - **Why would we pay \$56 per account when we bill them \$13.34 per year?**
 - The assessors primary goal is equity. What about businesses that don't get a business certificate? Home crafters that sell products on Etsy? It is relatively impossible to find all of these accounts.

The assessors still must discover and value these accounts. However, we can try to work more efficiently and productively by prioritizing other tasks.

CURRENT COSTS

- The assessors still must discover and value all accounts. However, we can try to work more efficiently and productively by prioritizing other tasks.
 - Via property inspections, our goal is to find businesses currently under the \$10,000 threshold that may have more than that amount in assets.
 - We expect business to become much more compliant in filing State Form 2- Form of List. This is an annual inventory of assets that must be filed with the Assessors. However, very few lower valued accounts comply with the law. Passing of this article will allow us to focus on those non-compliant accounts.

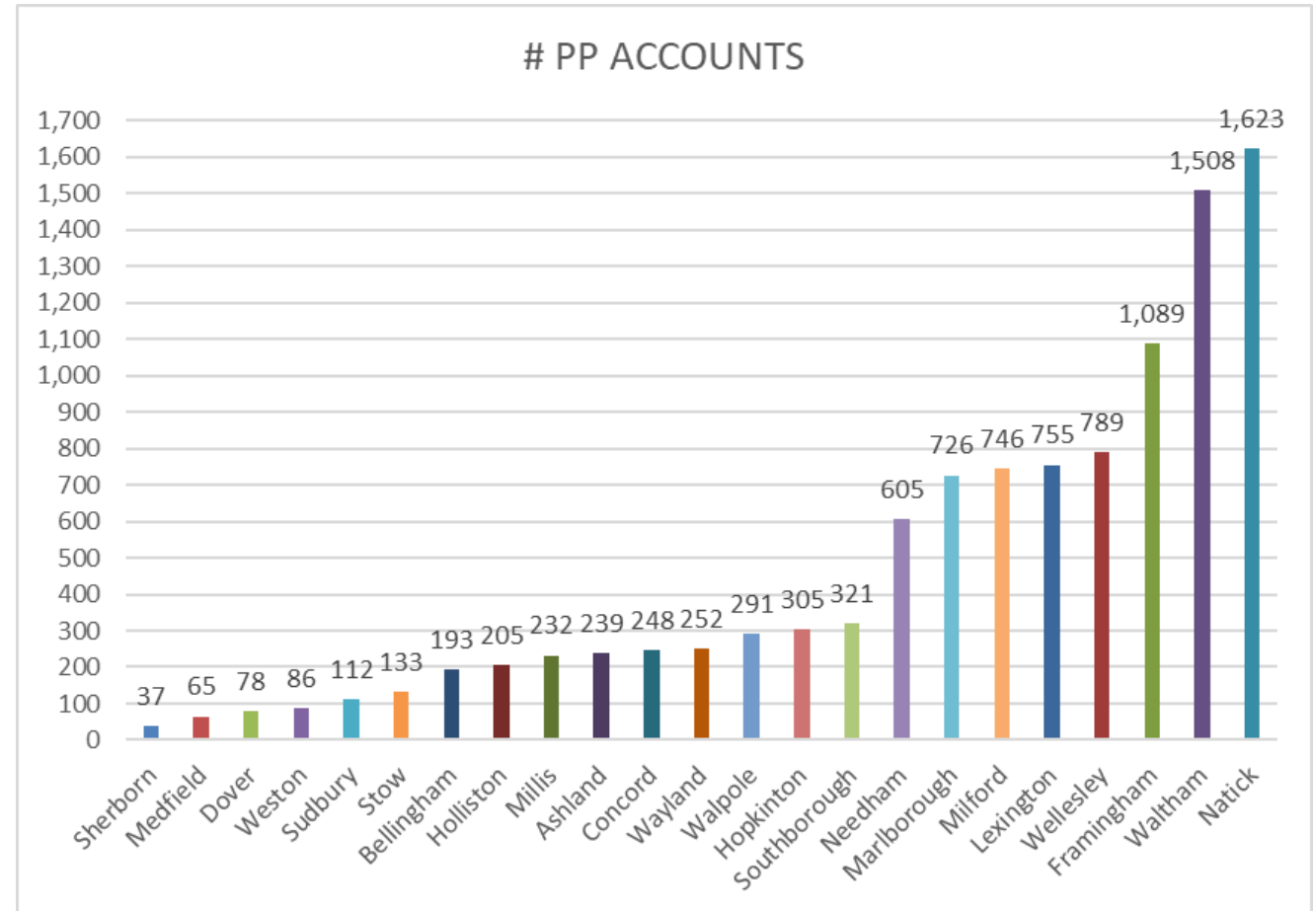
OTHER COMMUNITIES

- This chart illustrates what other comparable communities have done, sorted by minimum annual bill.
- It is assumed that if not voted, a \$1,000 minimum is used
- **Note that this proposal would create a minimum bill of \$133.40 based on the FY22 tax rate.**

Municipality	PP Exemption	Minimum Annual Bill	Municipality	PP Exemption	Minimum Annual Bill
Wellesley		\$11.68	Stow	2,500	\$48.90
Natick	1,000	\$13.34	Holliston	3,000	\$52.14
Hopkinton	1,000	\$17.02	Dover	5,000	\$62.10
Wayland		\$18.35	Ashland	5,000	\$79.40
Sherborn		\$19.03	Marlborough	5,000	\$110.85
Waltham		\$22.88	Sudbury	5,000	\$122.85
Southborough	1,500	\$24.42	Needham	5,000	\$132.15
Weston	2,000	\$25.62	Concord	10,000	\$147.60
Lexington		\$27.18	Medfield	10,000	\$174.20
Milford	1,000	\$28.44	Bellingham	9,500	\$190.76
Framingham		\$29.00	Walpole	10,000	\$192.20

OTHER COMMUNITIES

- This chart illustrates the number of PP accounts in the communities from the previous slide.
- **We have the most accounts, including Cities such as Framingham , Waltham, and Towns such as Lexington and Needham.**



CONCLUSION

- We hope that you review this information and please feel free to ask any questions.
- On behalf of the Board of Assessors and Assessors office staff, I ask for your support of this article at 2022 Fall Town Meeting.

Thank you