

# MASSACHUSETTS PERSONAL PROPERTY TAX

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## 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 city or town where the property it is situated on the assessment date (January 1<sup>st</sup>). In limited circumstances personal property may be assessed by the community in which the business is located on January 1<sup>st</sup>, 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 city/town, such as construction equipment.

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 1, unless expressly exempt. Individuals owning or holding household furnishings and effects not located at their primary residence on January 1, must file State Tax Form 2HF. Form 2HF is generally used by individuals who own a vacation home. A Form of List

(form 2 & 2HF) must be filed by **March 1<sup>st</sup>** with the Board of Assessors unless an extension is granted. Request for an extension must be made in writing to the assessors.

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 (*Chapter 59, Section 38F*). Failure to comply with the request within 60 days will bar you from any appeal of the tax unless the owner or lessee was unable to comply with the request for reasons beyond his or her control (*Chapter 59, Section 36*). Forms of List are confidential and therefore are not available to the public for inspection. 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

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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. Although the machinery of a corporation used in the conduct of business is taxable as personal property. (See Business Corporations).

### *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 mechanics 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 and 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, accountant, or other) not defined as machinery.

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 companies, certain banks, and manufacturing corporations)

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.

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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.

Taxpayer Assistance Bureau  
215 First Street  
Cambridge, MA 02142

### *Other Corporations*

Inquire in the Assessors Office

2. Machinery used directly in the purchasing, selling, accounting or administrative function of the business. For example 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 a 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.

### 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 within 30 days of the date of mailing of the actual bill. (This is The 3<sup>rd</sup> Quarter tax bill.)

If no Form of List was filed for the fiscal year, the assessors cannot grant an 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 an 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 has been filed on time. In that case, only the amount over the 150% of the correct value can be abated.

### *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.

Businesses are not automatically classified as manufacturers. If a business is seeking classification as a manufacturer, it must be incorporated and apply to the commissioner of revenue at:

### IV. Additional Information

The assessment date for the Fiscal Year is the January 1<sup>st</sup> 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 1<sup>st</sup>, 2002, would be billed for the entire fiscal year 2003. This applies to the businesses that have closed or relocated during the year so that any business that closed or relocated after January 1<sup>st</sup> 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

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January 1<sup>st</sup> will not be billed for the Fiscal Year.

### 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 assessors office by March 1<sup>st</sup>. This form enables a business to provide a list of its current assets to the Board of Assessors.

Unincorporated businesses must report on all of their furniture, fixtures, machinery, equipment and inventory.

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

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

Abatements must be filed with the assessors office within 30 days of the actual bill being mailed (this is the 3rd Qtr. bill). The Assessors may request the owner for a written return under oath within sixty (60) days and or an inspection of said property to verify value.

Failure to comply with this request shall bar the owner from any statutory appeal under chapter 59 section 38F. False information will/shall also bar the owner from any statutory appeal.

Questions regarding any aspect of personal property taxation should be addressed to the assessors.