

## **Instructions on filing Personal Property Returns: FAQ**

### **What is personal property?**

Personal property is all tangible property other than real property, including, but not limited to: business equipment, office machinery, inventory, furniture and fixtures not located at the owner's domicile on January 1.

### **Who must pay this tax?**

Individuals, Partnerships, Associations, Trusts, and Limited Liability Companies (LLC) filing federally as partnerships, disregarded entities (except LLC or other entity electing to be treated federally as disregarded entity with S corporation as its sole member) and other non-corporate entities.

Massachusetts Business and Out-of-State Business Corporations as defined in the G.L. Ch. 63 §30, including Limited Liability Companies filing federally as corporations, or electing to be treated federally as disregarded entities having S corporations as their sole members; and Mutual Insurance Holding Companies.

Massachusetts and Out-of-State Manufacturing Corporations and Limited Liability Companies filing federally as corporations, or electing to be treated federally as disregarded entities having S corporations as their sole members, that have been classified as "manufacturing" by the Department of Revenue.

All other Massachusetts Corporations subject to taxation under G.L. Ch. 63, including financial institutions, insurance companies, savings and cooperative banks and utility corporations and all other Out-of-State Corporations subject to taxation under G.L. Ch. 63 §§20, 23, 52A & 58 and insurance companies if state of incorporation (or principal place of business if incorporated in foreign country) exempts similar tangible personal property of Massachusetts insurance companies. See Acts of 1941, Ch. 467.

All other Out-of-State Insurance Companies

### **What property is taxable?**

In general, all tangible personal property situated in Massachusetts and all tangible personal property owned by Massachusetts domiciliary is taxable unless expressly exempt. There are many exemptions, which are usually based on (1) ownership, (2) type of property, or (3) use of property.

### **What is a form of list?**

State Tax Form 2 is a form listing all personal property assets of an organization for the current fiscal year. Filing a Form of List is required by statute. 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. As of January 1, you will be able to print out a Personal Property Form of List. Blank Forms of List are available at the Assessor's Office. The Form of List is due by the March 1 preceding the Fiscal Year. For example, the Form of List for Fiscal Year 2008 is due on March 1, 2007. Taxpayers are not required to estimate the value of the property included on the Form of List. The Assessing Division 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.

### **Who must file a return?**

This form must be filed each year by all individuals, partnerships, associations, trusts and corporations that own or hold taxable personal property on January 1, except telephone and telegraph companies and owners of pipelines that are required to file a personal property return with the Mass. Dept. of Revenue.

Individuals owning or holding household furnishings and effects not located at their domicile on January 1 must also file State Tax Form 2HF. Literary, temperance, benevolent, charitable or scientific organizations that may be entitled to an exemption must file State Tax Form 3 ABC listing all property they own or hold for those purposes on January 1.

### **When and where must my return be filed?**

Forms of List must be filed by March 1 with the Board of Assessors in the city or town where the personal property is situated on January 1. The principal exception is in situations where personal property has only a temporary location as of January 1, then it must be listed on a Form of List filed with the assessors in the city or town where the owner is domiciled (legal residence or place of business). A Form of List is not considered filed unless it is complete.

### **Can I get an extension of the filing deadline?**

The Board of Assessors may extend the filing deadline if you can show a sufficient reason for not filing on time. The latest date the filing deadline can be extended is 30 days after the tax bills are mailed for the fiscal year. Requests for an extension must be made in writing to the assessors.

### **What is the penalty for failure to file or filing late?**

There is a penalty for failing to file the Form of List pursuant to Massachusetts General Law c. 59, §64. If you do not file a Form of List for the fiscal year, the assessors cannot grant an abatement. If you show a reasonable excuse for filing late, the tax assessed cannot be reduced lower than 150% of the amount that would have been assessed if

the list had been timely filed. In that case, only the amount over that percentage can be abated. You can avoid this penalty by filing on time.

### **What is the return used for and who has access to it?**

The information in the Form of List is used by the Board of Assessors to determine the taxable or exempt status of your personal property and, if taxable, its fair market value. You may also be required to provide the assessors with further information about the property in writing and asked to permit them to inspect it. Forms of List are not available to the public for inspection under the public records law. They are available only to the Board of Assessors and Mass. Dept. of Revenue for purposes of administering the tax laws.

### **Who is eligible for an abatement?**

Anyone who feels that their personal property is overvalued or exempt may file for an abatement. You must file an abatement form at the Assessor's Office between January 1 and February 1 of the current tax year. Only the current tax year is eligible for abatement or exemption.

### **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 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 and cash, mortgages and other evidence of ownership of property rights.

For Individuals, Sole Proprietors, Partnerships, Associations, Trusts, Limited Liability Companies filing as Partnerships, and Out-of-State Insurance Companies not having a reciprocal exemption agreement with Massachusetts: Individuals are entitled to an exemption for (1) household furniture and effects at the place of their domicile, (2) farm utensils and (3) tools of a mechanic's trade. Tangible personal property that is taxable includes: Poles, underground conduits, wires, pipes, machinery, tools & equipment, business furniture and fixtures, merchandise, unregistered motor vehicles and trailers, animals, and forest products.

For Massachusetts Business and Out-of-State Business Corporations, Limited Liability Companies (filing federally as corporations) and Mutual Insurance Holding Companies:

Tangible personal property that is taxable includes poles, underground conduits, wires, and pipes. All ‘machinery used in the conduct of business’ is taxable except machines that are: (1) stock in trade, (2) used directly in dry cleaning or laundering processes, to refrigerate goods or to air condition premises, or (3) used directly in purchasing, selling, accounting or administrative functions.

For Massachusetts and Out-of-State Manufacturing Corporations and Limited Liability Companies (filing federally as corporations which have been classified as “manufacturing” by the Department of Revenue): Tangible personal property that is taxable includes poles, underground conduits, wires, and pipes. All tangible personal property used in the manufacture or generation of electricity except property that (1) is a cogeneration facility of 30 megawatts or less in capacity, or (2) was exempt because of a manufacturing classification effective on or before January 1, 1996.

For All Other Massachusetts Corporations subject to taxation under G. L. Chapter 63 including: Financial Institutions, Insurance Companies, Savings and Cooperative Banks, Utility Corporations, Out-of-State Public Service Corporations subject to taxation under G. L. Chapter 63 § 58 and Out-of-State Insurance Companies if the state of incorporation exempts similar tangible personal property of Massachusetts insurance companies: Tangible personal property that is taxable includes poles, underground conduits, wires, pipes and machinery used in the manufacture, or in supplying, or distributing water.

### **Information requests**

The Assessors Office 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.

Questions about valuation or abatement requests can be directed to the Assessors Office at (978) 365-4117. Questions about payments or balances can be directed to the Collector of Taxes at (978) 365-4123.