



May 3rd, 2018

In this issue:

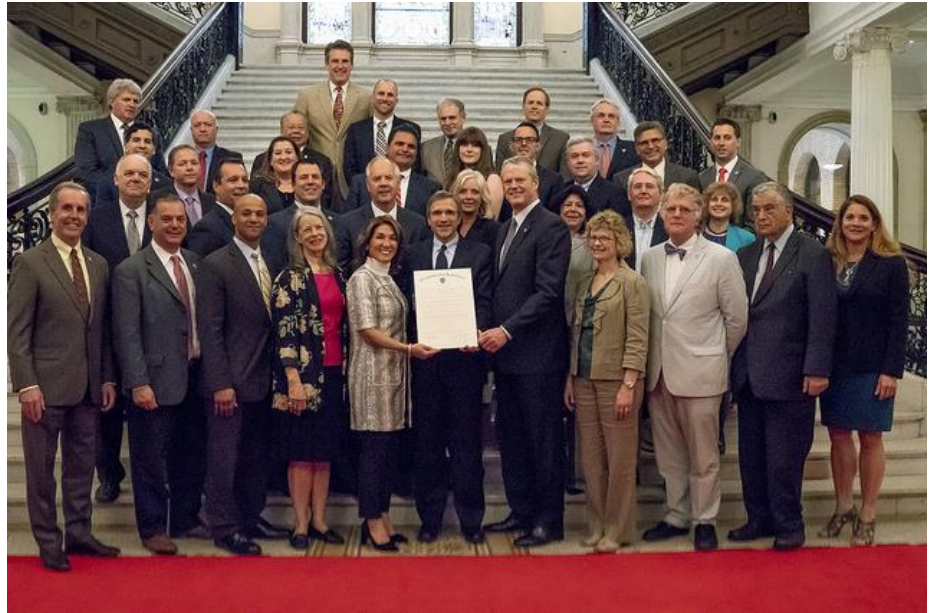
- [May is Municipal Month!](#)
- [Ask DLS: Personal Property Taxes](#)

Important Dates & Information

Sign Up for the 2018 New Officials Finance Forum!

The Division of Local Services is offering a seminar for recently elected or appointed officials on Thursday, June 7th, 2018 at the College of the Holy Cross in Worcester. This course is designed to foster a team approach by developing an understanding of the responsibilities of local offices and duties as well as their interrelationship. Please note that preregistration is required. Registrations must be received by Monday, May 21st.

[Click here for the](#)



May is Municipal Month!

Lieutenant Governor Karyn Polito

Today, Governor Charlie Baker and I participated in the signings of the final 350th and 351st Community Compacts with the Town of Wilbraham and the City of Boston. We also kicked-off and proclaimed May as Municipal Month in the Commonwealth which will serve as a platform for underlining the relationship between state and local governments through a series of grant announcements and community events.

Travelling across Massachusetts to meet, learn and partner with officials from each of the Commonwealth's 351 cities and towns has been a tremendous experience and I am excited about our progress toward building stronger communities. I was thrilled to sign our final Community Compacts with Boston and Wilbraham and look forward to creating more opportunities, developing broader connections and bringing additional success to municipalities across the state as we kick off May as Municipal Month.

The Community Compact Cabinet's three grant programs – Best Practices, Efficiency and Regionalization, and IT – have served as engines for improving local services in all 351 cities and towns across Massachusetts. The 351 municipalities have chosen a total of 835 best practices, which include financial management, climate resiliency, and sustainable development and land protection. Over 50 municipalities have applied for a 2nd round Compact. The IT grant program focuses on driving innovation and transformation at the local level via investments in technology, and in the last two years, 99 grants totaling \$4 million were awarded to 134 municipalities. The Efficiency and Regionalization grant program provides financial support

[registration form](#). If you have any questions regarding this event, please contact DLS Training Coordinator Donna Quinn at quinnd@dor.state.ma.us or (617) 626-3838.

MUNICIPAL Databank



Other DLS Links:

[Local Officials Directory](#)

[Information Guideline
Releases \(IGRs\)](#)

[Bulletins](#)

[Publications & Training
Center](#)

[Tools and Financial
Calculators](#)

for governmental entities interested in implementing regionalization and other efficiency initiatives that allow for long-term sustainability, and over the last two fiscal years, \$4 million in grants have been awarded to more than 220 municipalities and school districts.

These programs have led to more than:

- 120 municipalities that will strengthen their financial operations
- 100 municipalities that will be better prepared for economic success
- 100 municipalities that will enhance their IT systems and use IT to improve transparency and service delivery
- 80 municipalities that will explore regionalizing and/or sharing services
- 80 municipalities that will become greener communities
- 70 municipalities that will improve local transportation
- 20 municipalities that will modernize various human resources components

As part of May as Municipal Month in the Commonwealth, today I hosted a meeting of city mayors and town managers to discuss the Community Compact Program. We will also convene a meeting of the Community Compact Cabinet, participate in the Local Government Advisory Commission Meeting and the Government Finance Officers Association Annual Meeting. During Municipal Month, we will make an announcement relative to the Housing Choice initiative and its first round of designees, an announcement regarding the Administration's trails program, award the new round of Community Compact IT Grant, and I will visit communities involved in the Municipal Vulnerability Preparedness program.

As always, I want to thank you for all that you do for our cities and towns. I hope to see you soon!

Ask DLS: Personal Property Taxes

This month's *Ask DLS* is another in a series of frequently asked questions about personal property taxes. Please let us know if you have other areas of interest or send a question to cityandtown@dor.state.ma.us. We would like to hear from you.

What personal property tax exemptions do financial institutions, insurance corporations and telephone corporations receive in Massachusetts?

Generally speaking, incorporated landline telephone companies subject to [M.G.L. c. 166](#), incorporated financial institutions subject to excise under [M.G.L. c. 63, §§ 2 or 2B](#), and incorporated insurance companies taxed under [M.G.L. c. 63, §§ 20-29E](#) receive local property tax exemptions on all personal property except poles, wires, underground conduits, wires and pipes and

machinery used in manufacture or in supplying and distributing water. [M.G.L. c. 59, §5, cl. 16\(1\)](#). An insurance company incorporated in another state is entitled to the exemptions only if the state in which such company is incorporated or, if incorporated in another country, has its principal place of business in the United States, offers similar exemptions from personal property tax for Massachusetts insurance companies.

Corporations providing cell phone service and cable television are not considered telephone companies and are not entitled to this exemption. However, the Supreme Judicial Court has determined that a company with bundled services including cable service may qualify as a telephone corporation if it provides "substantial" landline telephone service. Whether the landline telephone service is substantial will depend on several factors, including the revenues from telephone services, proportion of telephone revenues to total income, percentage of capital invested in telephone services, number of telephone service employees compared to total work force, and ratio of telephone services to overall business activities. See [RCN-BecoCom, LLC v. Commissioner of Revenue, 443 Mass. 198 \(2005\)](#). Unincorporated telephone companies, financial institutions and insurance companies are NOT entitled to the incorporated telephone company, financial institution or insurance company exemptions, unless they file federally as corporations.

How is personal property valued in Massachusetts?

Like real estate, all personal property must be assessed at fair cash value. [M.G.L. c. 59, § 38](#). Generally, personal property is valued using the cost approach method. The particular cost approach will vary, depending on the specific property. In some cases, such as highly regulated utilities, net book value may be used, which is original cost less depreciation; although changes in the regulatory environment have allowed for greater flexibility. [Boston Gas Co. v. Assessors of Boston, 458 Mass. 715 \(2011\)](#). In most cases a reproduction or replacement cost new less accumulated depreciation method is used.

Ordinarily the market and income approaches are not used to value personal property. However, if a specific property or type of property has a demonstrated resale value in the market or a specific earning capacity as leased property that can be distinguished from business earnings, a market or income approach to valuation may also be considered.

Generally, the local board of assessors in the city or town where the personal property is situated is responsible for valuing taxable personal property. However, the Department of Revenue centrally values (1) the taxable personal property owned by landline telephone companies and used to provide telephone service and (2) taxable pipeline property used to transmit for 25 miles or more in Massachusetts natural gas, petroleum or their products or by-products and not owned by gas or electric utility companies. The Department certifies the values to the companies and the local boards of assessors, which then assess taxes using those values. See [M.G.L. c. 59, §§ 38A](#) (pipeline companies) and [39-42](#) (telephone companies).

Do cities and towns in Massachusetts use fixed depreciation schedules for valuing personal property?

Massachusetts does not prescribe specific depreciation tables, either by

statute or regulation. Property in use is considered to have some residual value, even if it has exceeded its useful life. However, the exact amount of depreciation and residual value is dependent on the specifics of the property and its use. Assessors should apply physical, functional and economic depreciation, if applicable, in order to arrive at a fair cash valuation. Depreciation must be documented.

What are the procedures and timelines for central valuation of telephone company property?

Landline telephone companies are required to file returns of taxable telephone personal property with the Department of Revenue. The Department values the property and certifies the values to the companies and the boards of assessors in the communities where the property is situated.

There is no statutory definition of what constitutes a telephone company for central valuation purposes, and the Department looks to a variety of criteria to make that determination. Factors include how the entity is regulated by the Department of Telecommunications and Cable TV, whether voice transmission services are provided, local or long distance, whether the company owns taxable telephone infrastructure, and whether the landline telephone service provided is substantial. As stated in an earlier question, the Supreme Judicial Court has ruled that a broadband landline provider of telephone service that also provides high speed Internet service and cable telephone service may qualify as a telephone company if the telephone service provided is substantial. However, the SJC has also ruled that wireless cellular providers are NOT telephone and telegraph companies and are therefore not subject to central valuation. [*Bell Atlantic Mobile of Massachusetts Corporation, Ltd. v. Commissioner of Revenue*](#), 451 Mass. 280 (2008).

Telephone company returns (Form 5941) are due March 1 before the beginning of the fiscal year to which the tax relates. For example, for Fiscal Year 2019, beginning July 1, 2018 and concluding June 30, 2019, the return was due March 1, 2018. The Department must value the property and certify the values on or before June 15. Telephone companies and local assessors have the right to appeal the Department's values to the Appellate Tax Board on or before July 15. [M.G.L. c. 59, § 39](#). If a company or board of assessors did not appeal by the July 15 date and then receives notice the other party timely appealed, it may appeal in response. However, it must do so by July 30, or 15 days after receiving the notice, whichever is later.

Local boards of assessors must assess taxes to the telephone companies using the valuations certified by the Department unless revised on appeal.

May Municipal Calendar

1 Taxpayer

Deadline to Pay 2nd half and 4th Quarter Tax Bill without Interest

This is the deadline to pay the 2nd half tax bill in semiannual communities and the 4th quarter tax in quarterly communities.

Notification of Amount of Debt Due in Next Fiscal Year

1 Accountant or Treasurer As required by M.G.L. c. 44, § 16, the Accountant or Treasurer must notify the Assessors of all debt due in the next fiscal year. The community is required to pay its debts, appropriated or not. Any debt service not covered by appropriations is added to the "Other Local Expenditures" category found on page 2 of the recap. It is important the Assessors have this information to avoid setting a tax rate that will raise insufficient revenue to cover the community's expenditures.

30 State Treasurer **Notification of Monthly Local Aid Distributions**, see IGR 17-17 for more cherry sheet payment information, monthly breakdown by program is available here.

Editor: Dan Bertrand

Editorial Board: Sean Cronin, Anthonia Bakare, Linda Bradley, Deb Joyce, Theo Kalivas, Patricia Hunt and Tony Rassias

Contact *City & Town* with questions, comments and feedback by emailing us at cityandtown@dor.state.ma.us.

To unsubscribe to *City & Town* and all DLS alerts, email dls_alerts@dor.state.ma.us.