



'Tis the Season to Set Tax Rates!

Sean Cronin - Senior Deputy Commissioner for Local Services

December 7th, 2017

In this issue:

- ['Tis the Season to Set Tax Rates!](#)
- [Let's Work It Out: The Importance of Reconciliation](#)
- [Ask DLS: Personal Property Taxes](#)

By the Numbers

City & Town provides updates on the progress of the tax rate and certification season while also allowing you to follow the tax rate setting process in real time. Thanks to our Municipal Databank staff, this public information is available 24/7 by [clicking here](#).

Prelim. Certifications Approved: 64

Final Certification: 61 (of 70 total)

LA4 Approved: 337 (342 submitted)

LA13/ New Growth Approved:
337 (341 submitted)

Tax Rates Approved: 229

Balance Sheets Approved: 245

Total Aggregate Free

Cash Approved: \$1,026,911,447

As the calendar year draws to a close, the work at DLS continues in earnest, just as it does for local officials across the Commonwealth. On our end, December is the busiest month of the year for setting tax rates. On your end, you're not only setting your current fiscal year tax rate, you're also working on your FY2019 budget. Busy times for all! Before I get into the details of the tax rate and certification seasons, I want to provide some information on the [Community Compact Best Practices Program](#).

Community Compact #317 will be signed tomorrow in West Newbury, and I'm pleased to say we have engaged and supported cities and towns in hundreds of projects, programs and new approaches. Please view a [progress report](#) on the CCC website that highlights these projects. [The Efficiency and Regionalization grant program](#) closed in mid-November with nearly 60 applicants from municipalities and school districts across the state covering more than 200 governmental entities.

To leverage these opportunities, I'd highly encourage any municipality that has yet to access the program to strongly consider it. If you need an added incentive, keep in mind that if your community signs up before the end of this year, it will be eligible for the [IT grant program](#) that opens on January 15th, 2018. In order to be eligible, you have to apply for the Best Practice Program by January 1st.

At DLS, we routinely interact municipalities, special districts and regional school districts through our technical, regulatory, legal and administrative responsibilities, so it's incumbent upon us to be professional, informed and transparent. To that end, I want to share with you some metrics we use at DLS to track both the information we receive and the rate at which we respond to it.

New Growth – By the beginning of December of this year, 93% of municipalities have submitted the required data for new growth approvals. Of that 93%, 91% have had their new growth approved. As recently as a few years ago, 69% of all municipalities had new growth approved by the end of November, so we're quite pleased to see this upward trend.

Recaps/Balance Sheets – FY17 was the first time that more than 50% of tax rates

Important Dates &

Information

Having Trouble Finding DLS Gateway?

Some DLS Gateway users have experienced difficulties navigating to the application's login page recently. To address this issue, we recommend bookmarking the following URL:
<https://dls.gateway.dor.state.ma.us/gateway/Login>

W-2 Filing Deadline Information for Local Government Payroll Departments

Last year, a federal law change shifted the W-2 filing due date to January 31st. The Massachusetts Department of Revenue (DOR) adopted the January 31st due date. As the 1/31/18 due date approaches, DOR would like to remind employers of the importance of filing state copies of Form W-2 and all quarterly wage reports on time.

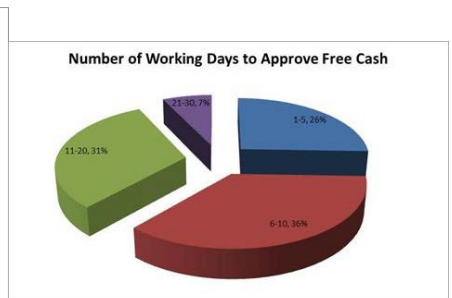
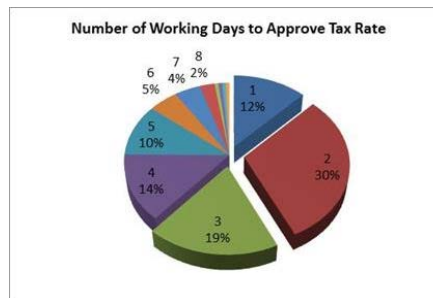
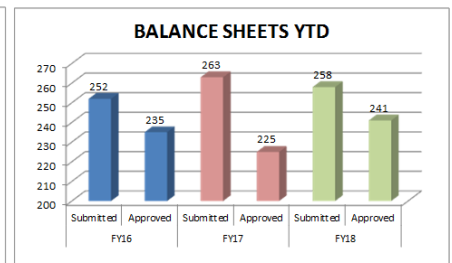
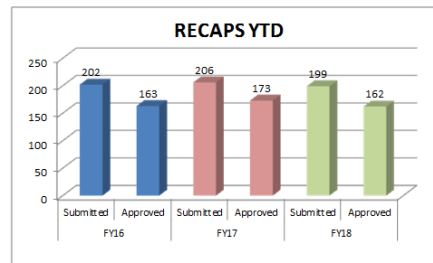
The Form W-2 data submitted to DOR by employers and the wage reporting data submitted to the Department of Unemployment Assistance is matched against the information reported by employees on their personal income tax returns. If an employer has not submitted W2 files or wage reports on time, employees may experience delays in receiving their state tax refunds or may receive notices from DOR requesting verification of their state withholding.

Employers filing 50 or more W-2's are required to submit them to DOR electronically. If your community uses DOR's online system, [MassTaxConnect](#), to upload your W-2 files and your confirmation includes a "check back" message,

were approved before December 1st. We fell below that threshold this time around, but we still remain on the higher end of the spectrum when compared with historical averages.

	TAX RATES		
	Approved by end of Nov.	Approved in Dec.	Approvals Remaining
FY18	162	N/A	N/A
FY17	173	172	6
FY16	163	179	11
FY15	134	202	16
FY14	119	219	14
FY13	141	194	18
FY12	114	216	23
FY11	108	219	26
FY10	93	194	66
FY09	117	209	27
FY08	133	177	43
FY07	105	194	54

Through November, seven fewer recaps had been submitted and eleven fewer tax rates were approved compared to FY17. For Free Cash certifications, 16 more balance sheets were approved compared to last year, a 7% increase.



We also track turnaround time at DLS. To that end, nearly 86% of recaps were approved in five working days, pretty much the same as last year, and 62% of balance sheets were approved within ten working days, also pretty similar to last year.

please be sure to do so. Last year, DOR found that many employers assumed their W-2 files were submitted on time only to find that the file had been suspended due to errors and the submission was incomplete.

If you have any questions or concerns about filing your state copies of Form W-2 or any of your state tax obligations, please contact DOR at [617-887-6367](tel:617-887-6367).

OSD: Praise for the Second Annual State Fall Fleet Event

Feedback from buyers attending the Second Annual State Fall Fleet Event in Sturbridge on November 7 was overwhelmingly positive.

Some of the day's highlights included the enlightening Telematics overview by Bill Griffiths from the Massachusetts Bay Transportation Authority (MBTA), industry trends from Original Equipment Manufacturers (OEMs), and considerations when spec'ing a heavy duty vehicle by Chris Bouchard from the Massachusetts Highway Association. In addition, attendees were drawn to the Department of Labor Standards' presentation on how to properly dispose of drug paraphernalia found in communities, an unwelcome but increasingly ubiquitous reality.

At the event, participants learned that OSD is preparing a statewide bulk bid for vehicles, where we will aggregate vehicle needs from around the Commonwealth into one large bid. If you would like to be added to the list of organizations that have expressed interest in this initiative, send an email to [Lisa Westgate](mailto:Lisa.Westgate@state.ma.us). Participants also were privy to other significant [VEH98](#)

I want to thank all the DLS staff for their service and dedication to our mission. I also want to thank all the local officials across the Commonwealth who work closely with us. Please continue to reach out to me with any thoughts and ideas you have.

Let's Work It Out: The Importance of Reconciliation

Melinda Ordway and Marcia Bohinc - Technical Assistance Bureau

All too frequently, headlines around the Commonwealth have reported the occurrence of missing money, misappropriations, or unauthorized spending in cities and towns. While the risk that a community may fail to detect fraud or otherwise safeguard its assets is a very real and critical problem, perhaps the strongest internal control for managing the situation is the performance of regular accounting reconciliations.

The Division of Local Services (DLS) has continually preached the importance of conducting frequent and prompt reconciliations. A reconciliation involves comparing two separately controlled sets of records to verify whether related account balances agree. This fundamental accounting process helps identify any unusual postings that could be caused by bookkeeping errors, or worse, by deception. The process of proving that transactions are in balance is essential for ensuring the integrity of general ledger data and mitigating fraud.

As a best practice, every community should conduct reconciliations of its two largest assets, cash and receivables, at least monthly to ensure records are accurate and no money is missing. However, the local volume of transactions may dictate that these reconciliations occur weekly, or even daily, given how time-consuming it can be to determine the source of discrepancies.

As the custodian of all revenues, tax titles, and tax possessions, the treasurer must keep a timely and accurate cashbook and reconcile this comprehensive journal of receipts and payments (including bank deposits and withdrawals) against bank statements each month. The collector maintains listings of the community's various outstanding receivables, each of which is based on a receivable control. In this record of original entry, it begins with the initial tax commitment and tracks each processed collection, abatement, exemption, and tax title transfer, and is adjusted for each issued refund, resulting in the outstanding receivable balance.

After the treasurer and collector have internally reconciled their records, they should provide the balances to the accounting officer for comparison with the general ledger. The financial officers should then meet to discuss any identified discrepancies (caused by missing information, keying errors, timing differences, etc.) with the goal of resolving them. The results of these reconciliations should be reported to the community's central manager or executive body to verify they were done and provide explanations for any outstanding variances.

contract changes, now to include Truck Classes 3 – 9 and a new category to accommodate any vehicle with a minimum of three wheels! Expanded vendor selection is anticipated as the contract has been reopened for vendor response. Buyers may expect VEH98 contract updates in early 2018.

Thank you to our buyer and vendor participants! Special thanks to [OFF40](#) Statewide Contractor, HUB Technical Services, for their generous loan of audiovisual equipment at the event!

Would you like to attend next year's Fleet Event? Send an email to [OSD-Events](#). Help us make next year's event even better! If you attended the 2017 Fleet Event, please complete this brief [survey](#) of your experience at the event.

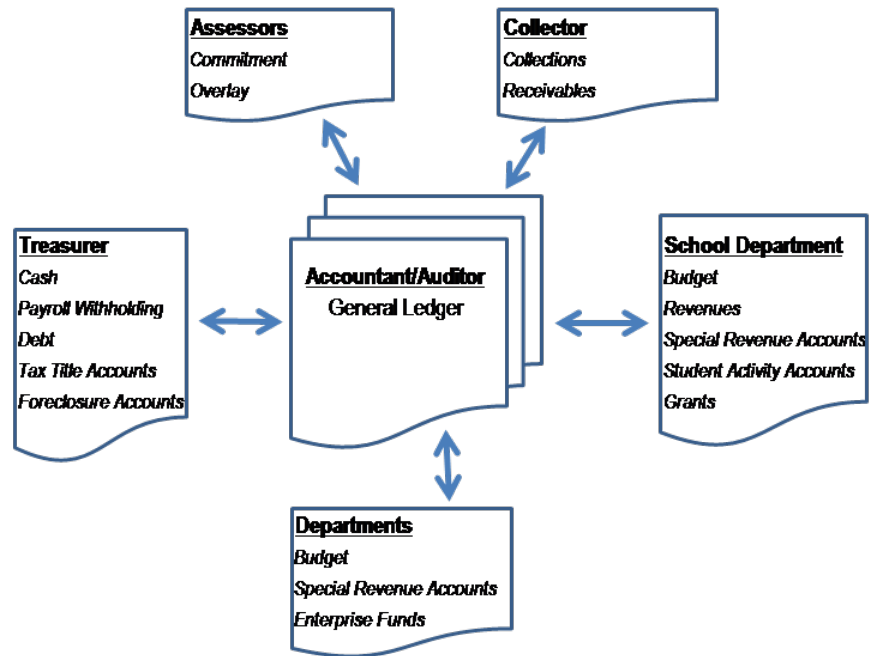
Download the [Statewide Contract Vehicle Handbook](#).

OSD: Experts Needed!

Over the next few months, OSD will rebid the Security, Surveillance, Monitoring and Access Control Systems Statewide Contract and is seeking Department and municipal subject-matter experts to participate on the Strategic Sourcing Team. This is a great opportunity to have your voice heard and play an integral role in the progression of the contract!

Team members will work with the OSD Strategic Sourcing Lead to perform activities ranging from needs identification, bid evaluation, and contract award to performance monitoring and assessment throughout the lifecycle of the procurement. Participation does not require travel into Boston. Express interest to [Ashish Patel](#) at 617-720-

Beyond cash and receivables, there are other bookkeeping records that must be periodically reconciled with the general ledger. These include the treasurer's debt schedule and payroll withholdings, the assessors' commitment and overlay charges, and other municipal and school department revenue and expenditure records, as shown below.



To provide guidance and reinforce accountability, local officials should formally adopt a reconciliation policy that identifies each reconciliation to be conducted, assigns responsibilities, establishes deadlines, and requires the results be reported to the chief administrative or executive officer. Sample policies can be found in manuals posted on the Technical Assistance Bureau's [webpage](#). It should be every community's goal to prioritize and complete regular reconciliations. Apart from the risk of potentially undetected revenue losses, the lack of timely reconciliations could delay or otherwise negatively impact the certification of free cash by DLS. It could also delay an audit engagement and result in a comment in the audit firm's management letter.

Ask DLS: Personal Property Taxes

This month's *Ask DLS* features frequently asked questions regarding the local taxation of personal property. Additional questions about personal property taxes will be featured in future editions of *City & Town*. 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 are the reporting requirements for locally taxable personal property in Massachusetts?

Generally, the owner of taxable personal property on January 1 must file an annual

MUNICIPAL Databank



Other DLS Links:

[Local Officials Directory](#)

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

[Bulletins](#)

[Publications & Training Center](#)

[Tools and Financial
Calculators](#)

personal property return, known as the Form of List or State Tax Form 2, with the board of assessors of the city or town in which the property is situated on that date. [M.G.L. c. 59, § 29](#). An owner of household furnishings and effects at a residential property in Massachusetts that is not the owner's domicile, such as at a summer or second residence, must file State Tax Form 2HF listing those furnishings and effects. Cellular/mobile wireless telecommunications companies must file State Tax Form 2MT.

In the return, the owner must list and describe all taxable personal property situated in the community on the January 1 assessment date. Information that must be provided about the listed property includes the make and year of manufacture, the purchase price or original cost, and the year of purchase. The owner does not have to include an estimate of value. If an estimate is provided, it is not binding on the assessors as they determine the fair cash valuation of property for local tax purposes. [M.G.L. c. 59, § 38](#).

The return is signed under oath. The property listing in the return is confidential. It can only be disclosed to the taxpayer, the taxpayer's designated representative, persons who need to see the information to perform duties in the office of the assessors, the Department of Revenue and anyone else specifically authorized by court order. [M.G.L. c. 59, § 32](#).

Some communities have accepted a local option that lets them exempt property of an owner if the total value of the personal property account is less than a minimum amount, which can be no more than \$10,000. [M.G.L. c. 59, § 5, Clause 54](#). In those communities, the owner must still file an annual return, reporting the purchase price and year of acquisition, so that the board of assessors can determine the value of the property and whether the exemption applies in that year. However, if a person or entity owns no taxable personal property as of January 1, no return is required for the year.

Charitable and veteran organizations claiming exemption of their real and personal property must file a return of that property on State Tax Form 3ABC. [M.G.L. c. 59, § 5, Clauses 3\(b\), 5, 5A, 5B and 5C](#).

Property of telephone and pipeline companies subject to central valuation is reported to the Department of Revenue's Division of Local Services (DLS). DLS centrally values natural gas and oil company pipelines that are over 25 miles in length and the machinery, poles, wires, underground conduits, wires and pipes of telephone companies and certifies the values to the boards of assessors and companies. [M.G.L. c. 59, §§ 38A and 41](#).

When is the personal property return due?

Forms of List (State Tax Forms 2, 2HF, 2MT and 3ABC) are due to be filed with the board of assessors on or before March 1 prior to the fiscal year to which the tax

relates. The assessors may extend the filing deadline if the owner makes a written request and provides a reasonable excuse for not filing on time. The latest the assessors can extend the deadline is the last day for applying for abatement of the tax for the fiscal year to which the return relates. [M.G.L. c. 59, § 29](#). For example, the return for personal property taxable as of January 1, 2018 for fiscal year 2019 (which begins on July 1, 2018 and ends on June 30, 2019) is due March 1, 2018. The March 1 deadline can be extended to any date on or before the date that fiscal year 2019 abatement applications are due.

Returns filed with DLS by pipeline companies are due January 31. [M.G.L. c. 59, § 38A](#). Telephone company returns are due March 1. [M.G.L. c. 59, § 41](#).

Who must report leased personal property?

The lessor of personal property subject to a true lease is the owner of the property and if taxable, must report it. A true lease is one in which the lessee must return the property at the end of the lease or may purchase the property at fair market value at the end or at any time during the course of the lease. The lessee of taxable property subject to a finance lease (installment sale) is ordinarily considered the owner for reporting purposes. A finance lease is generally one where the property is leased for a period of time less than the useful life of the item and is or may become the property of the lessee at the end of the lease for a nominal amount.

Is there a penalty for failure to file a personal property return, or filing a late return?

Assessors must identify, value and assess all taxable personal property in the community even if owners fail to file returns or file returns late. If an owner of taxable personal property does not file a return for the fiscal year, the assessors must estimate the value of the owner's property based on their best information and belief and they cannot abate for overvaluation of the assessed property. [M.G.L. c. 59, §§ 36, 37, 61 and 64](#). However, if the owner files the form late, i.e., after its due date or after the date of any extension to file, the assessors, or the Appellate Tax Board if appealed, can abate, but only if the owner shows a reasonable excuse for the late filing or the tax assessed is more than 150% of the amount that would have been assessed had the return been filed on time. [M.G.L. c. 59, §§ 61 and 64](#).

December Municipal Calendar

31	Water/Sewer Commissioners	Deadline for Betterments to be included on Next Year's Tax Bill (M.G.L. c. 80, § 13; c. 40, § 42I and c. 83, § 27)
31	Assessors	Mail 3ABC Forms to Charitable Organizations and Forms of List to Personal Property Owners Deadline for Mailing Actual Tax Bills Quarterly and semiannual communities issuing annual preliminary tax bills mail actual tax
31	Collector	

bills by this date. Quarterly communities can include actual bills for the 3rd and 4th quarters in a single mailing.

31 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](#).

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

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