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AMESBURY CITY CLERK

**CITY OF AMESBURY
IN THE YEAR TWO THOUSAND SIXTEEN**

SPONSORED BY: Councilor Steven J. Stanganelli BILL 2016-067

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An Ordinance to amend Amesbury City Council Bill 2000-184 to increase the exemption on Personal Property Taxes from \$2,000 to \$10,000 as allowed under MGL Ch. 59, Section 5, Paragraph 54.

Summary:

Be it Ordained by the Municipal Council of the City of Amesbury assembled and by the authority of the same, as follows:

That the exemption on personal property classified as Type 501 and 502 be increased from \$2,000 as approved in Bill #2000-184 to \$10,000 which is the maximum exemption allowed under MGL Ch. 59, Section 5, Part 54.

The exemption will apply to all individuals, partnerships, associations, trusts, corporations, limited liability companies and other legal entities authorized to conduct business in the City and subject to taxation.

Background and Relevant Support

This Bill is being offered as a way to promote economic development and tax relief for smaller business entities while also reducing the administrative burden of the City associated with collections.

An analysis of all Type 501 and 502 property reported on the most recently filed set of State Form 1 property tax forms (FY2017) is summarized below:

Number of Accounts	Valuation
306	\$65,933,039

Using the information from the current property lists, this is the projected impact on the tax rolls:

Number of Accounts	Valuation
134	\$65,107,633

As calculated here, the decrease in assessed valuation is estimated at approximately 1.25% or \$825,406 which translates to a reduction in personal property taxes for the City of approximately \$4,834.

The City loses nominal revenue which is not expected to have a material impact on City revenues or funding of operations and may in fact reduce the costs associated with collections on such small account balances.

On the other hand, the City gains the opportunity to promote economic development by being an attractive destination for businesses to start or expand their operations. This nominal change will further showcase efforts of the Administration to make operating a business more affordable within the City.

National Bureau of Economic Research Working Paper No. 16300, Who Creates Jobs? Small vs Large vs Young by Haltiwanger, Jarmin and Miranda reiterates Census Bureau data from 1992 to 2005 that smaller companies created more jobs than larger enterprises. This research further demonstrates that young companies are the real driver of disproportionate job growth in the economy.

Given the fact that smaller and newer enterprises typically have higher cash outflow relative to inflow during their formative years, this change in property tax calculation and exemption will help lower operating costs for businesses.

National Bureau of Economic Research Working Paper:
<http://www.nber.org/digest/feb11/w16300.html>

MGL Ch. 59, Section 5 reference for authorization of exemption:
<https://malegislature.gov/Laws/GeneralLaws/PartI/TitleIX/Chapter59/Section5>