

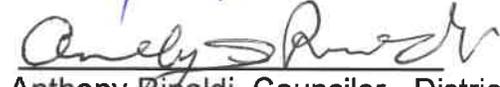


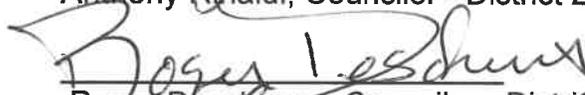
CITY OF AMESBURY IN THE YEAR TWO THOUSAND TWENTY-THREE

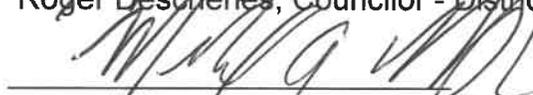
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CITY OF AMESBURY, MA

An Ordinance to increase the exemption on Personal Property Taxes from \$3,000 as approved in 2020-035 (as amended) to \$10,000 as allowed under MGL Ch. 59, Section 5, Clause 54.

Summary:

An Ordinance to increase the personal property tax exemption to lower business operating costs for small business enterprises to help with economic development and add fairness to the tax burden.

Whereas, the Amesbury City Council in Bill 2000-184 adopted the minimum personal property tax exemption level of \$2,000 but never adjusted for inflation; and,

Whereas, the current exemption of \$3,000 adjusted for inflation since inception of a tax exemption of \$2,000 in TY2000 under Bill 2020-035, but the current exemption does not account for the significant levels of inflation that have occurred since TY2020 when the exemption limit was last amended, and current policy does not provide for regular updates to adjust for or keep pace with inflation; and

Whereas, an analysis of all Type 501 and 502 property for FY2022 provided by the City Assessor in 2023 indicates aggregate personal property valuation of \$93,524,431 comprised of 253 active personal property tax accounts including 31 currently exempted below the \$3,000 threshold; and

Whereas, the six largest personal property tax payers comprise \$84,390,659 of the aggregate assessed valuation and \$1,378,943 of the total \$1,527,159 in personal property tax revenue (or more than 90%); and

Whereas, the proposed increase in exemption to the \$10,000 personal property valuation level will exempt 99 additional smaller business enterprises reducing their overall costs of operations by about \$100 per year; and

Whereas, this change provides some level of equity in light of current and past tax increment financing (TIF) to other larger business operators; and

Whereas, the immediate beneficiaries of this proposal are predominantly small enterprises; and

Whereas, this policy will provide a tax incentive to small non-manufacturing business operators and service providers with a nominal projected loss of revenue to the City estimated at \$9,831 (based on FY2022 assessments); and

Whereas, the bulk of revenue (90%+) of personal property taxes is paid by the largest enterprises in the City comprised of six public utilities and a solar farm operator with personal property valued in excess of \$84M in the class which will not be affected by this change nor reduce the personal property taxes paid to the City by these large firms, and

Whereas, by adoption of this change, Amesbury joins more than 246 communities in the Commonwealth with this exemption level; and

Whereas, the 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 demonstrating that smaller and younger companies are the real drive of disproportionate job growth in the economy; and Amesbury has seen an increasing number of business licenses for small enterprises; and the majority of business licenses presented to Council for approval since 2019 have been for smaller and newer enterprises that, because of their start date, were not eligible for any SBA Paycheck Protection Program funds or local BEAT grants; and

Whereas, many businesses that may benefit from this exemption are home-based and already pay real estate taxes on their homes and any improvements made to modify or expand their dwellings to accommodate their business operations while others whose business owners are renters are affected by residential property taxes impacting their rents; and

Whereas, the City may be able to save on administrative and collection efforts otherwise needed for these small business accounts as has been noted by the Town of Groveland Assessor (interview 3/10/2020) and by freeing up "counter time" in the words of former OECD Director William Scott; so therefore,

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

That the City of Amesbury shall increase the exemption on personal property classified as Type 501 and 502 from \$3,000 as approved in Council Bill 2020-035 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 subject to taxation.

No exemption shall be granted under this act until the Department of Revenue certifies a residential tax rate for the applicable tax year where the total exemption amount is raised by a burden shift within the personal property tax levy (Code 5 of the Massachusetts Division of Local Services and Type 501 and Type 502 Property per Massachusetts Department of Revenue).

Reference:

Inflation: <https://www.in2013dollars.com/us/inflation/2000?amount=2000>

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/TitleX/Chapter59/Section5>

MA Property Tax Classification Codes: <https://www.mass.gov/doc/property-type-classification-codes-non-arms-length-codes-and-sales-report-spreadsheet/download>

https://www.mass.gov/files/documents/2019/04/01/personalpropertyfaq_0.pdf