

# The business personal property tax in Connecticut

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Connecticut State Tax Panel Presentation

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# Presentation Outline

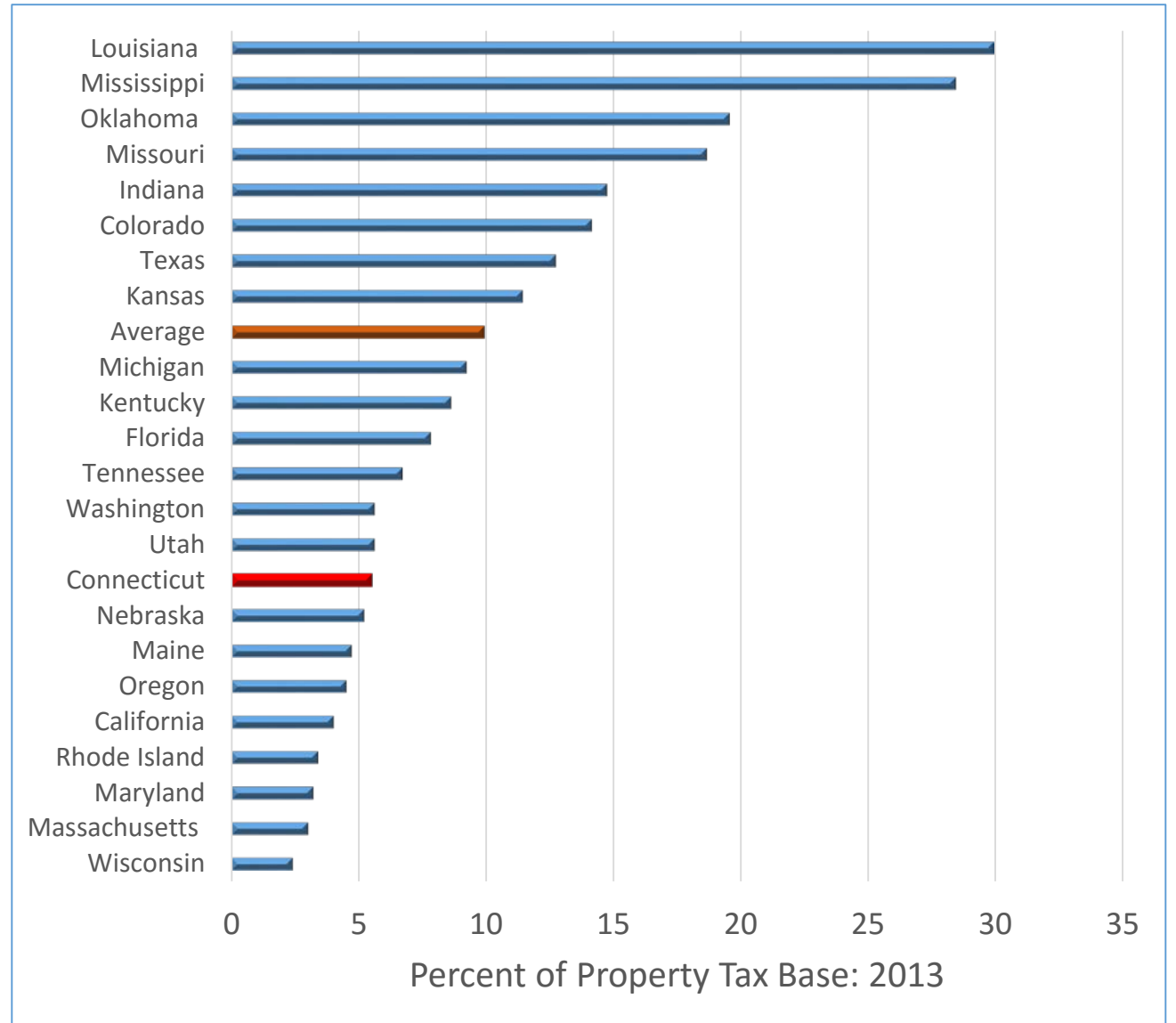
- Overview of the personal property tax
- Impact of personal property tax on Connecticut's competitive position
- Impact of personal property tax on taxpayers
- Policy options
- Administrative options



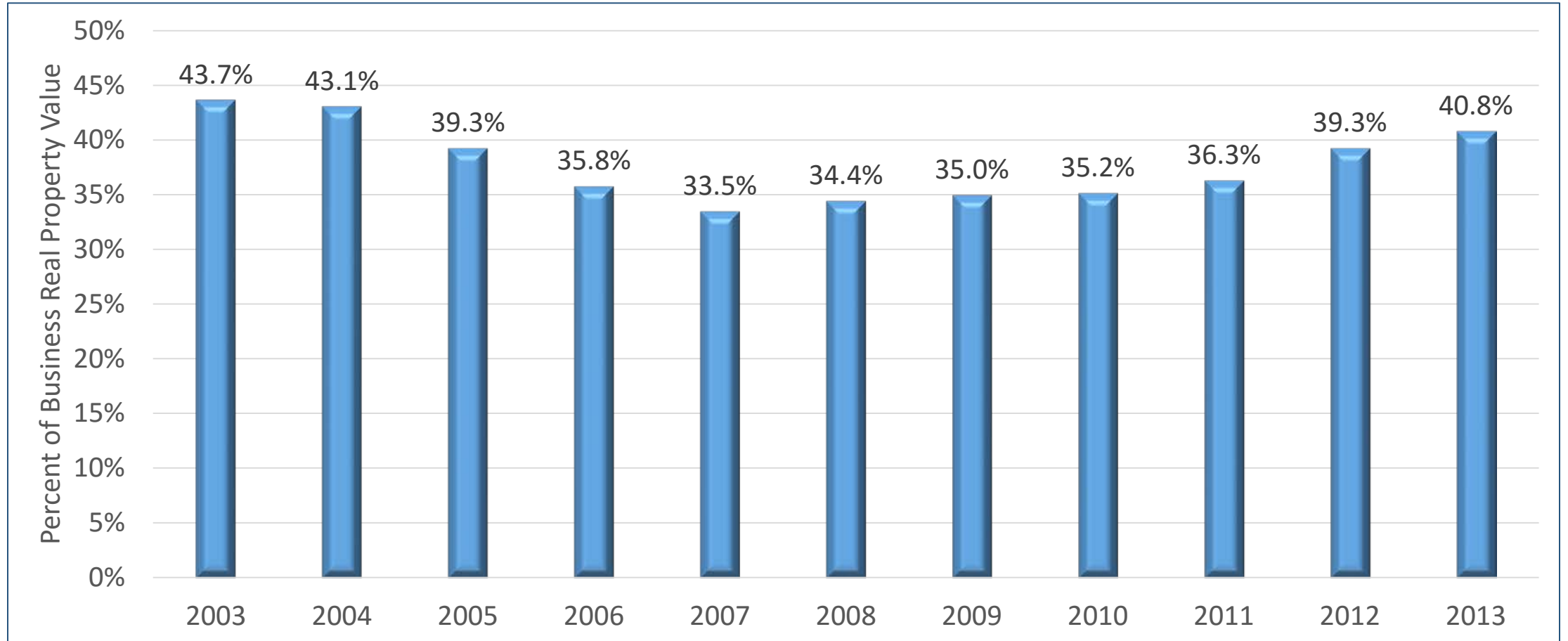
# Overview of the personal property tax



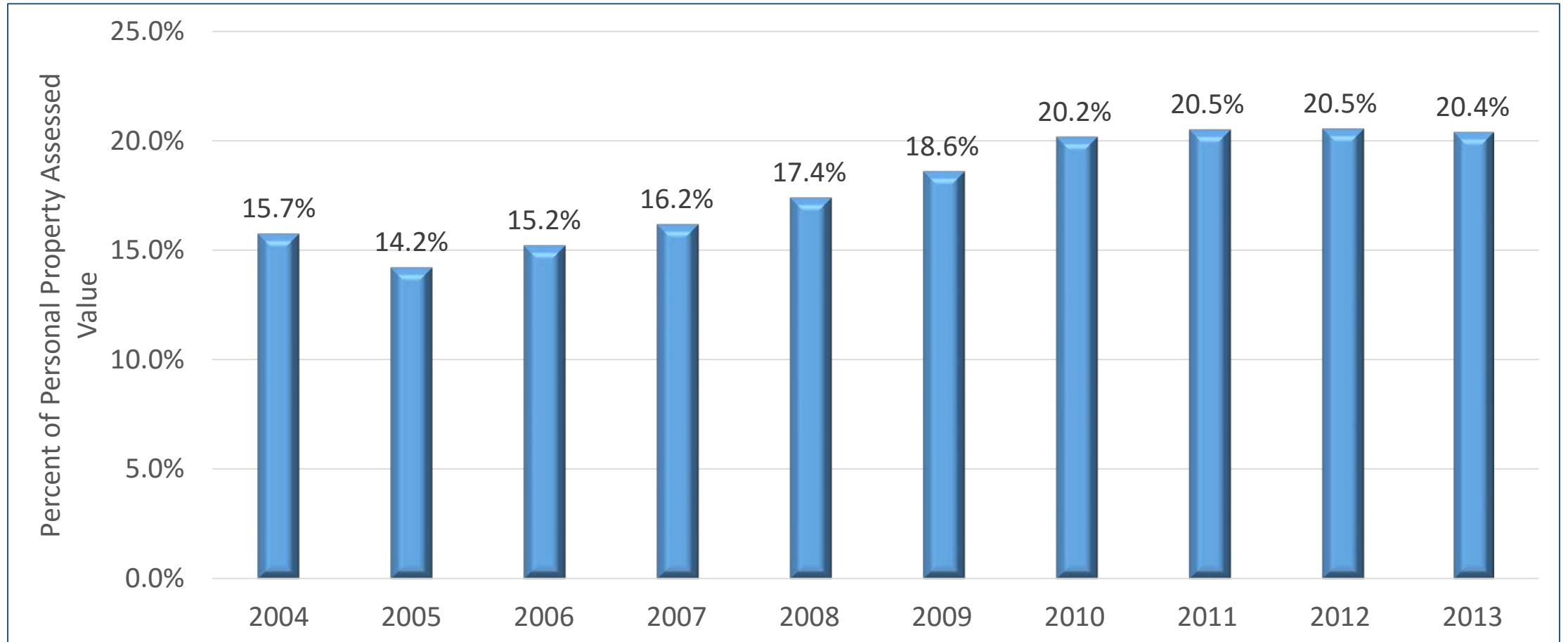
# Personal Property as a Percent of Total Property Tax Base: 2013



# Total Personal Property Assessed Value as a Percent of Total Commercial, Industrial and Public Utility Real Property Assessed Value



# Personal Property Exemptions as a Percent of Total Personal Property Base



# Example of Personal Property Declaration

- June 2012, you bought a desk for \$300 and a chair for \$80.
- In October of 2012 you buy a display rack for \$400.
- You have a filing cabinet you bought 10 years ago for \$100 that is being used in your business.
- A friend gave you a used bookcase, in February 2014, which you believe is worth \$50.

#16 – Furniture, fixtures and equipment			
Year ending	Original cost, transportation & installation	% Good	Depreciated value
10-1-14	50	95%	48
10-1-13	400	90%	360
10-1-12	380	80%	304
10-1-11		70%	
10-1-10		60%	
10-1-09		50%	
10-1-08		40%	
Prior years	100	30%	30
Total	930	Total	742

# Categories of Personal Property

(9) Unregistered motor vehicles and vehicles garaged in Connecticut but registered elsewhere

(10) Manufacturing machinery and equipment not eligible for exemption

(11) Horses and ponies

(12) Commercial fishing apparatus

(13) Manufacturing machinery and equipment eligible for exemption

(14) Mobile manufactured homes not currently assessed as real estate

(16) Furniture, fixtures and equipment

(17) Farm machinery

(18) Farm tools

(19) Mechanics tools

(20) Electronic data processing equipment

(21a) Telecommunications company equipment not technologically advanced

(21b) Telecommunications company equipment technologically advanced

(22) Cables, conduits, pipes, etc.

(23) Expensed supplies

(24a) Other goods including leasehold improvements

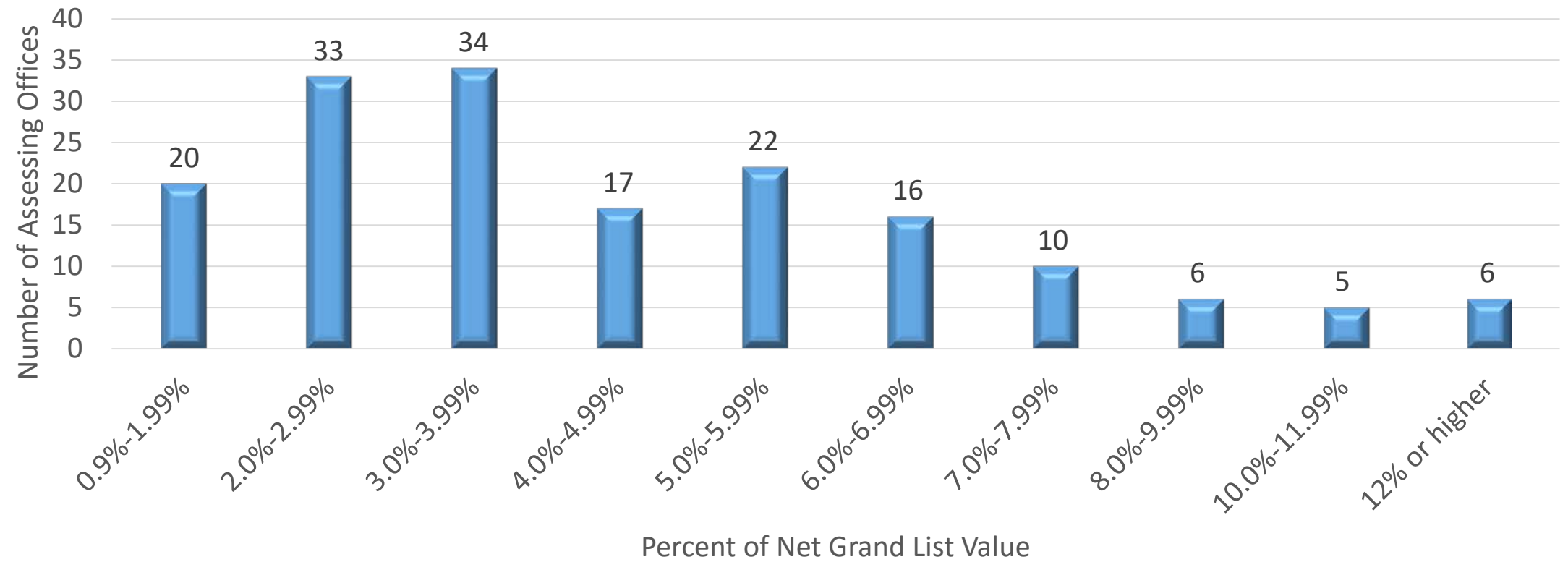
(24b) Rental entertainment medium



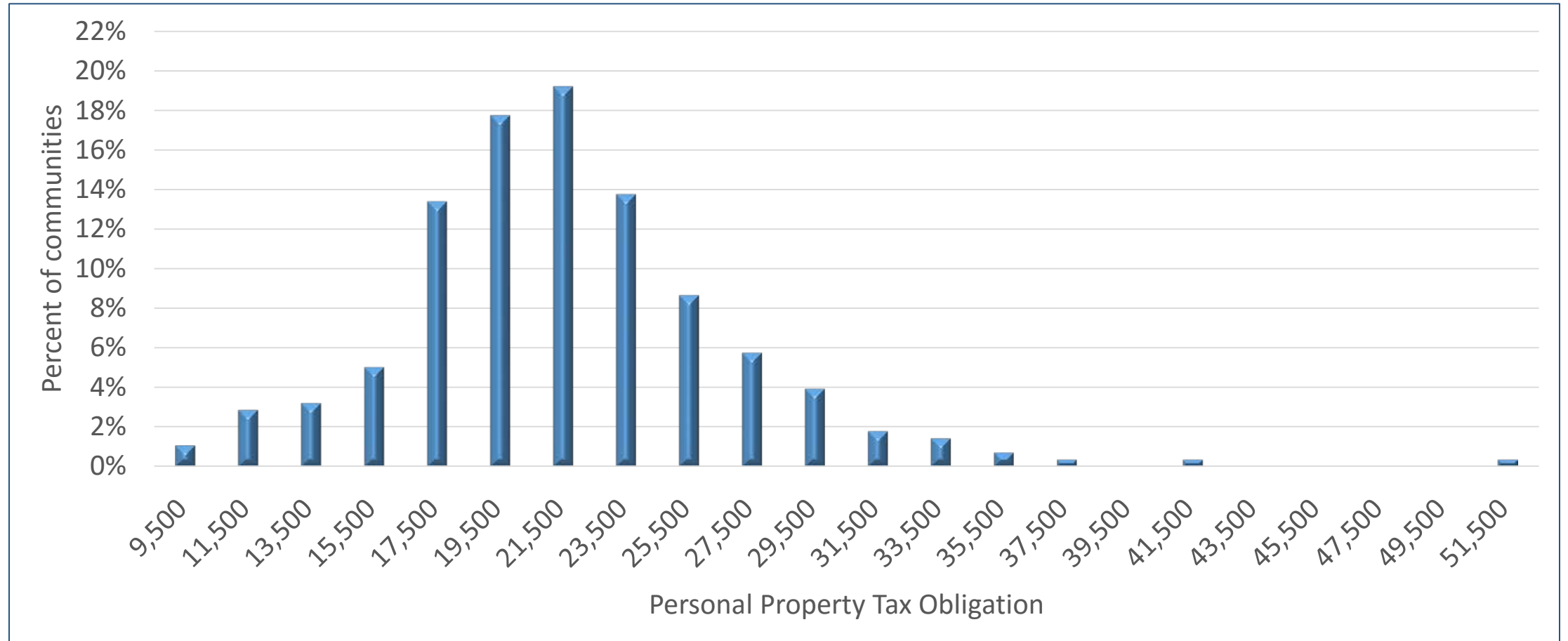
# Largest categories of Personal Property by Value: 2013

Personal Property Type	Percent of State Personal Property Value
Cable, Conduits, Pipes, Poles, Towers, Telephone, Water, etc.	26.5%
Commercial Furniture & Fixtures	21.2%
Manufacturing & Biotechnology Machinery & Equipment	17.6%
All other taxable property, chattels & effects	10.5%
Industrial/Mfg. Machinery & Equipment	10.3%
Electronic Data Processing Equipment	8.8%
Telecommunications Equipment	2.0%
Subtotal	97.0%

# Net Personal Property Base as a Percent of Net Grand List: 2013



# Distribution of tax obligations for \$1 million in business personal property, 2014 mill rates



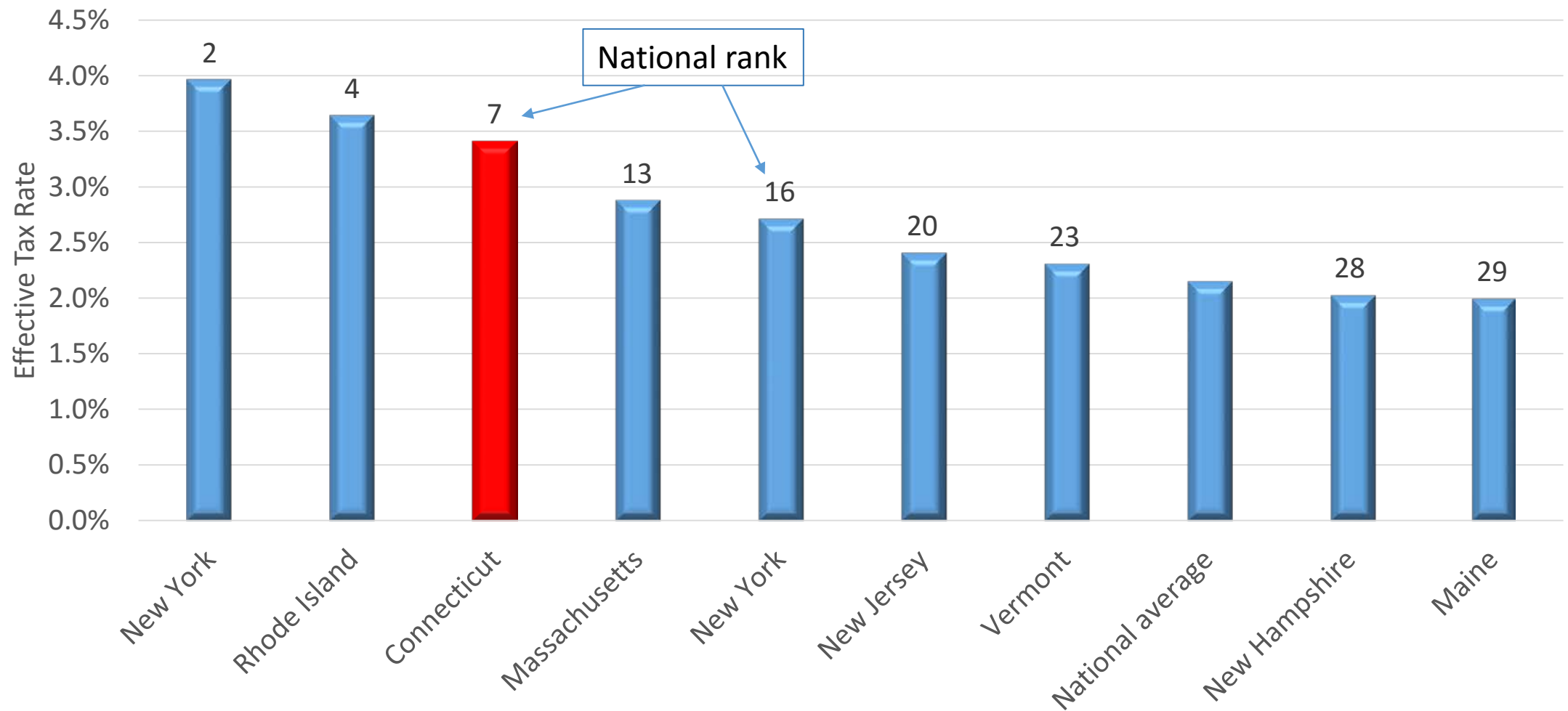
Impact of personal  
property tax on  
Connecticut's  
competitive position



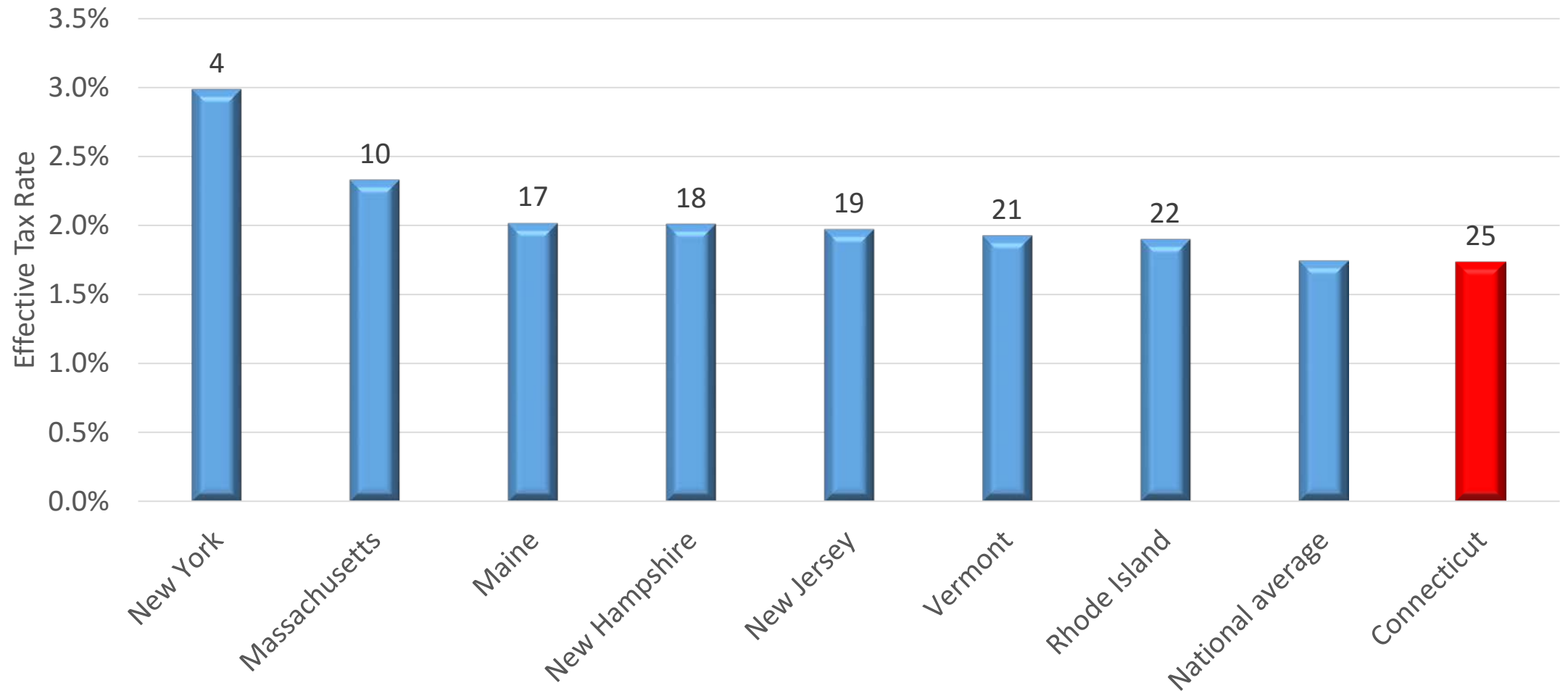
# Comparisons

- Total Property tax obligation
  - Real
  - Personal
- Standardized firm size and configuration
  - Commercial
  - Manufacturing
- Single location within each state
- Urban vs. rural

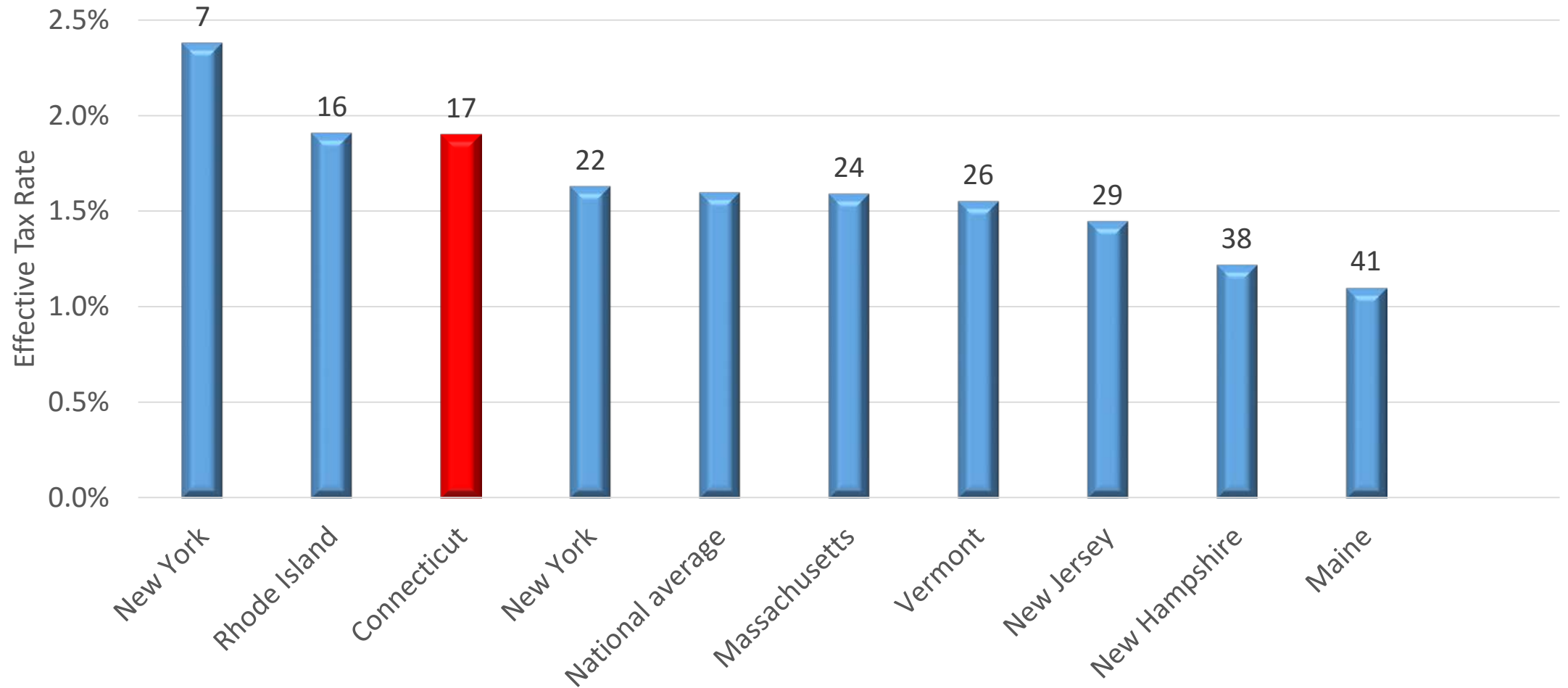
# Comparative property tax obligations: Urban Commercial



# Comparative property tax obligations: Rural Commercial

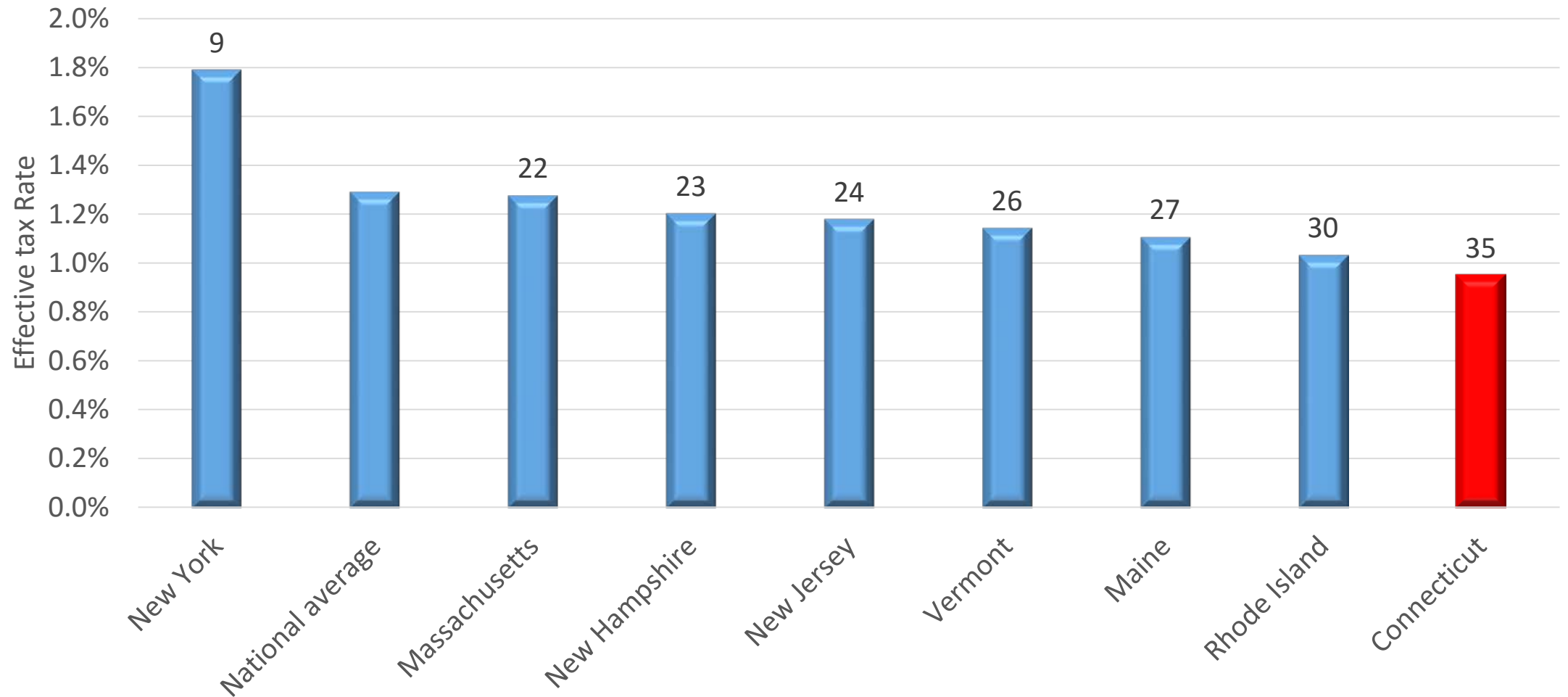


# Comparative property tax obligations: Urban Manufacturing



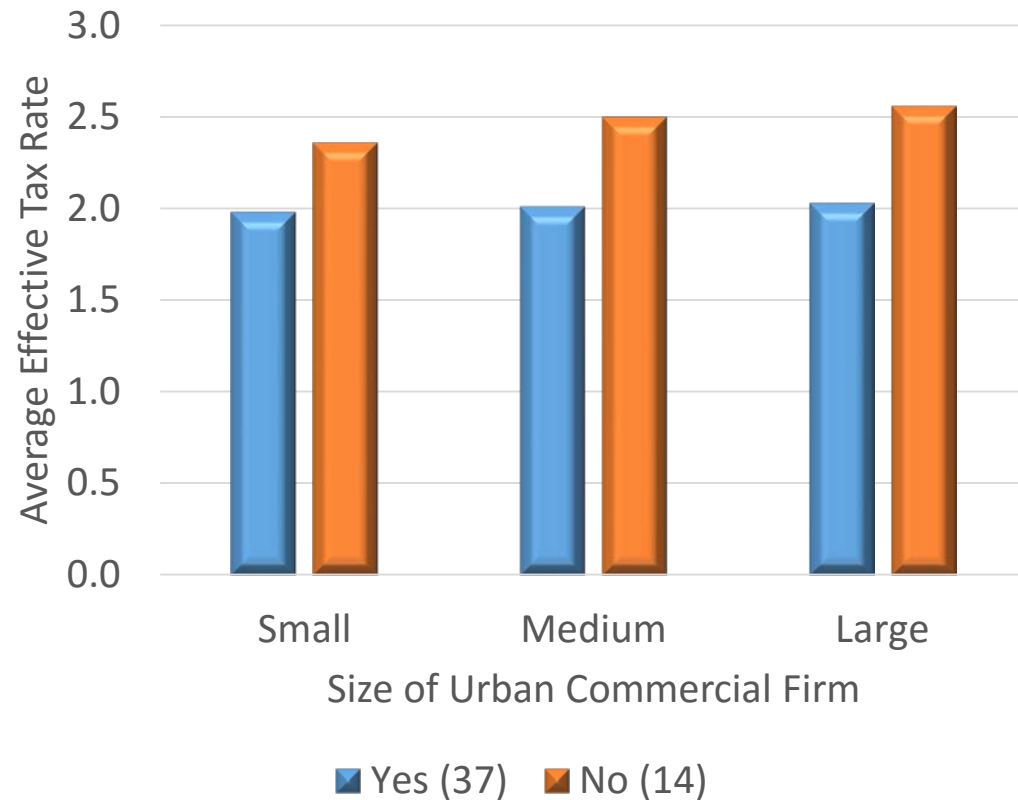


# Comparative property tax obligations: Rural Manufacturing

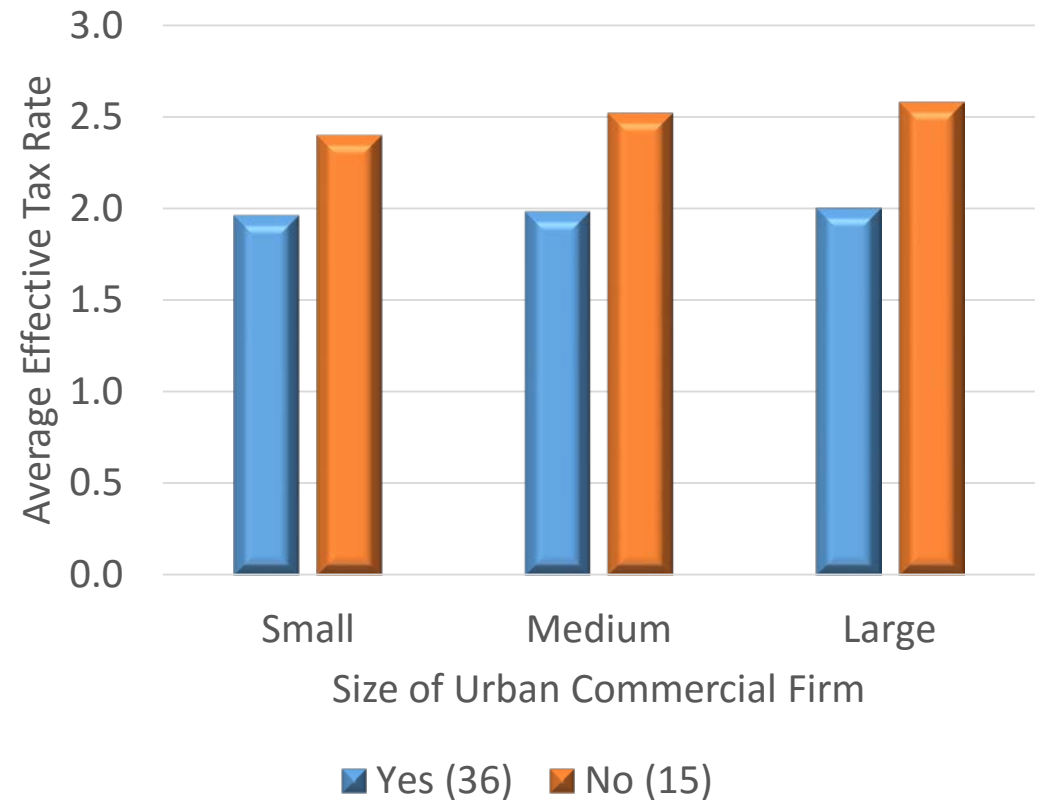


# Average effective tax rates by tax status: Urban Commercial

## Is personal property taxed?

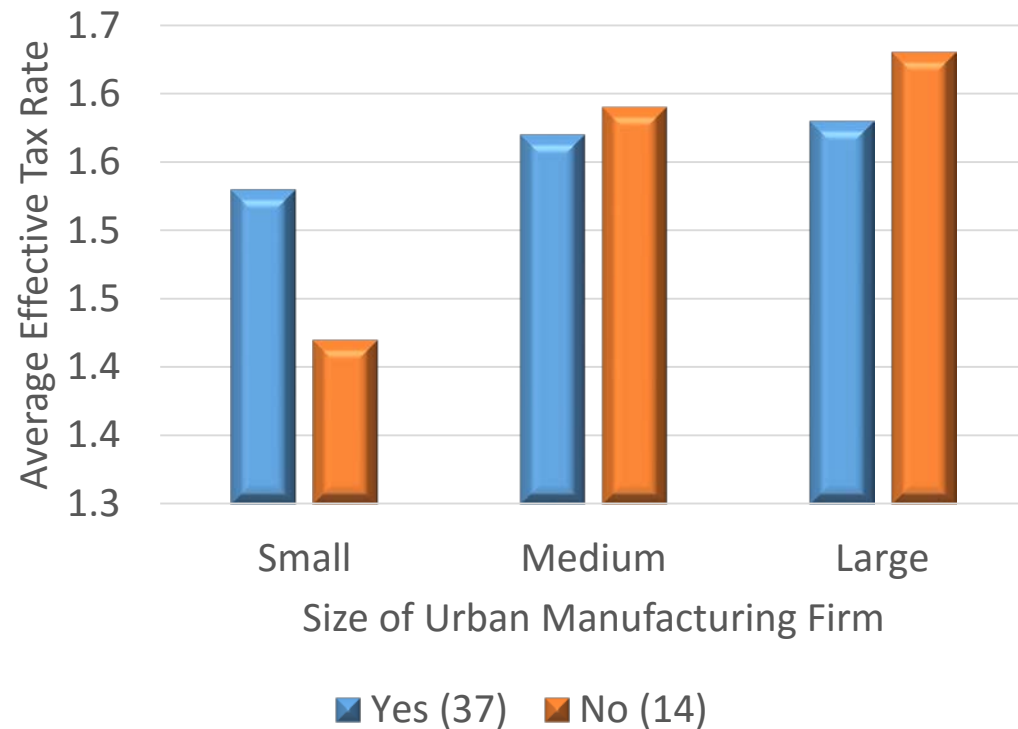


## Are machinery & equipment taxed?

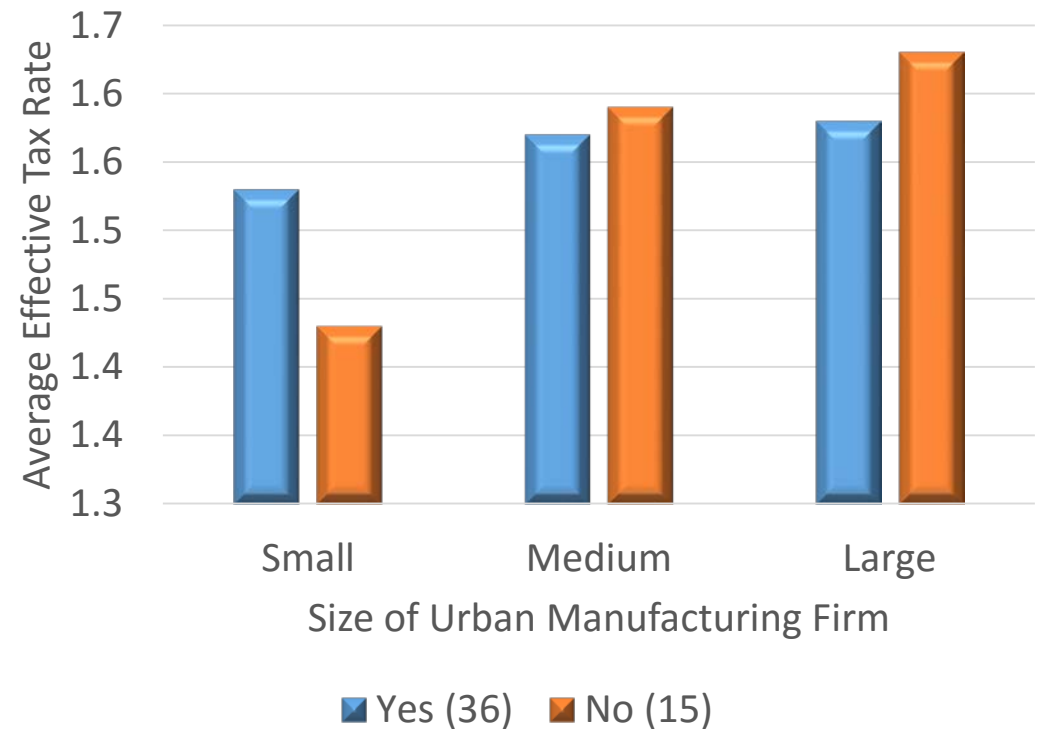


# Average effective tax rates by tax status: Urban Manufacturing

## Is personal property taxed?



## Are machinery & equipment taxed?



# Impact of personal property tax on taxpayers



# Distribution of Personal Property Accounts by Taxable Value, 2014

Net assessment range	Personal Property Accounts (2014)	Percent of accounts	Total Net Personal Property taxable value (\$ millions)	Percent of Personal Property tax base
\$200,000-\$299,999	665	2.20%	161.1	2.95%
\$300,000-\$599,999	657	2.18%	270.3	4.95%
\$600,000-\$999,999	304	1.01%	235.7	4.32%
\$1,000,000-\$1,499,999	166	0.55%	200.6	3.67%
\$1,500,000-\$1,999,999	80	0.26%	137.2	2.51%
\$2,000,000-\$2,999,999	97	0.32%	238.2	4.36%
\$3,000,000-\$9,999,999	143	0.47%	730.6	13.38%
\$10,000,000-\$49,999,999	54	0.18%	1,253.8	22.96%
Over \$50 million	13	0.04%	1,606.5	29.42%
<b>Sub-total</b>	<b>2,179</b>	<b>7.22%</b>	<b>4,834.1</b>	<b>88.52%</b>
Remaining accounts	28,016	92.78%	626.8	11.48%
<b>Total</b>	<b>30,195</b>	<b>100.00%</b>	<b>5,460.8</b>	<b>100.00%</b>

# Policy and Administrative Options



# Policy Options

- Any alternative that reduces the tax on personal property will require some combination of three actions
  - Cut spending at the local level
  - Replace the revenue with another tax
  - Increase the tax rate on the remaining property base

# Administrative options 1

- Status quo
- Adopt an exemption threshold for personal property
  - Threshold: \$5,000 or less in taxable personal property
    - Revenue impact: 0.006% revenue loss
    - Percent of personal property taxpayers affected: 35%
  - Threshold: \$7,500 or less in taxable personal property
    - Revenue impact: 0.01% revenue loss
    - Percent of personal property taxpayers affected: 42%
  - Threshold: \$10,000 or less in taxable personal property
    - Revenue impact: 0.014% revenue loss
    - Percent of personal property taxpayers affected: 46%



# Administrative options 2

- Revisit the personal property categories
  - Consider eliminating those that generate extremely small amounts of revenue
  - Consider disaggregating large categories and refine the approach to depreciation
    - Revisit 30% residual value
    - Allow for the possibility of obsolescence in an industry or firm
- Improve audit procedures and frequency
  - Avoid contingency audits
- Strengthen the role of OPM
- Allow electronic filing



Thank you!