

EXEMPTION FROM PERSONAL PROPERTY TAX FOR
BUSINESSES WITH APPRAISED VALUES UNDER \$25,000

In the year Two Thousand Eleven.....

Resolved by the City Council of the City of Burlington, as follows:

That WHEREAS, the City of Burlington imposes an Business Personal Property tax on businesses (formerly known as the Equipment and Machinery Tax; and

WHEREAS, a resolution was passed on February 8, 2010 by this Council which pointed out that “it could be that the City would attract more business and diversify and strengthen its economic base if the Business Personal Property Tax were no longer imposed and more than offset the loss of this Tax revenue by the generation of other revenues from new businesses and employment opportunities to Burlington;” and

WHEREAS, the resolution passed on February 8, 2010, asked the Board of Finance to “consider the implications of eliminating the Tax and under what circumstances it might be fiscally responsible to do so;” and

WHEREAS, at a Board of Finance meeting on October 4, 2010, then-CAO Leopold provided the Board a summary of the appraised tax and tax revenue generated by the Tax for Fiscal Year 2011. As per the minutes of the meeting, “The Board discussed the resolution referred to the Board by the City Council regarding the Machinery Tax and requested that CAO Board of Finance Leopold and City Assessor John Vickery provide the Board an analysis of the Equipment and Machinery Tax;” and

WHEREAS, in a memo, City Assessor Vickery detailed the Tax as follows, as of September 2010:

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40 “A brief review of the Business Personal Property Tax:

- 41
- 42 ➤ 778 businesses are assessed
- 43 ➤ Small businesses with less than \$2,500 in value are exempt from tax
- 44 ➤ Total appraised value is \$134,683,500
- 45 ➤ Taxes raised from the Business Personal Property Tax \$1,163,000
- 46 ➤ Calculation: $\$134,683,500 * 1.2 \text{ factor} * .01 * 0.720 \text{ city tax rate} = \$1,163,653$
- 47 ➤ Taxes based on the estimated Fair Market Value by the Cost Approach to value method
- 48 ➤ Valuation Method: $\text{Cost at time of purchase} * \text{index factor (inflation factor)} * \text{percent}$
- 49 $\text{good} = \text{FMV}.$ ”
- 50

51 WHEREAS, it is important to note that the following municipalities have exempted do not
52 have the Tax. Many of these municipalities had Business Personal Property Tax in the past. City
53 Assessor Vickery has personal experience with a phase-out as he was involved in the process in
54 Williston and South Burlington while working as the former Assessor in those municipalities.

55 The following neighboring municipalities do not have this Tax on businesses:

- 56 Colchester
- 57 Essex
- 58 Milton
- 59 Shelburne
- 60 South Burlington
- 61 Williston
- 62

63 WHEREAS, the following local municipalities have business personal property tax:

- 64
- 65 Hinesburg - is in the process of phasing out the tax by fiscal year 2012.
- 66 Winooski has the tax.
- 67

68 WHEREAS, it is important to consider the following as pointed out in City Assessor
69 Vickery’s analysis for the exemption of this tax in a memo in September 2010:

- 70 1. The downside of exempting this tax would be a loss of tax revenue.
- 71
- 72 2. Implementation Cost: Preparation of business personal property valuations requires a full
- 73 time temporary clerk for ten weeks in March through May each year. The cost is around
- 74 \$7,000 annually. Other staff time is approximately 300 hours each year on administration
- 75 and implementation at a cost of \$10,000.
- 76

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- 82 3. Given current staffing and budget the Assessor’s staff does the best job it can to fairly
83 implement the tax. All businesses are valued using the same methods and valuation
84 tables. This creates uniformity of values. In addition we will assist businesses with the
85 proper steps to complete the annual Business Personal Property form.
86
- 87 4. One problem is keeping up with the inventory of businesses that are subject to the tax.
88 Businesses are constantly moving into Burlington, others are moving out of Burlington
89 and some are closing. We need to be notified when this happens. Also, businesses are
90 growing and others are declining.
91
- 92 5. Given staffing levels auditing of equipment only occurs when it appears that a business
93 has not reported correctly. The great majority of businesses do not get audited for many
94 years. The lack of auditing allows for inaccurate reporting by businesses. Over time many
95 businesses get carless.
96
- 97 6. Several hundred businesses did not return the Business Personal Property form. Our
98 office has to estimate the value of these businesses.
99

100 WHEREAS, the City Council is also aware of the fiscal stress the City is under and
101 alternatively, it is also aware of the points raised above by Assessor Vickery and is cognizant of
102 the need to address the administrative and thus financial stress addressing implementation of this
103 Tax presents to the Office of the City Assessor; and

104 WHEREAS, the following table demonstrates the loss of tax revenue if the City were to
105 exempt properties that have less than 12,000; 20,000 and 25,000 in asset value.

Appraised value less than	Count of Accounts	Total value	Total Taxes
12,000	204	\$1,436,740	\$12,410.32
20,000	292	\$2,839,270	\$24,526.84
25,000	344	\$4,012,780	\$34,665.16
Total of all	778	\$134,683,500	\$1,163,653.48

106 WHEREAS, if the business value exemption rate is raised from \$2,500 to \$25,000 this
107
108 would cost the city approximately \$35,000 or 3% of the taxes this Tax raises annually. This
109 change would exempt 344 small businesses which is around 44% of all the businesses; and

111 4

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116 WHEREAS, in conclusion, raising the exemption rate to \$25,000 will allow the
117 Assessor's Office more time for auditing the larger well-established taxable businesses for value
118 equity, and eliminate spending time monitoring smaller start-ups, incubator, and smaller
119 businesses as well as allowing smaller businesses to concentrate their limited resources on
120 growing their business;

121 NOW, THEREFORE, BE IT RESOLVED that this City Council asks that the exemption
122 rate on the Business Personal Property Tax be raised from \$2,500 to \$25,000 for the reasons
123 stated in this resolution. The Council asks that this exemption take place as soon as it is
124 practicable; and

125 BE IT FURTHER RESOLVED that this City Council requests that the Charter Change
126 Committee work with the City Attorney and the City Assessor to amend City Charter Section 81
127 to read as follows:

128 "And further provided that inventories and personal property belonging to an owner
129 whose total personal property does not exceed the fair market value of twenty five ~~hundred~~
130 thousand dollars (~~\$2,500.00~~) (\$25,000) shall no longer be set out in the grand list of the city as
131 taxable personal estate."

132

133 lb/emb /c: Resolutions 2011/Personal Property Tax – Exemption for Businesses with Appraised Values under \$25,000
134 10/13/11