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In this issue:

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(Addresses of colleagues & friends are also welcome.)

10 Things You May Not Know About Your Business' Personal Property Tax Assessment

By Diana Teixeira, CPA

Well, the time is coming… 2016 personal property tax returns for your business are due November 1. While these returns are pretty simple on the complexity spectrum of all tax returns, most clients who prepare their own don't know much beyond the completion of these so-called "simple" returns. For those that prepare their own, your dreams have finally been answered. Here are 10 things you may not know about your business personal property tax assessment:

1) In Connecticut, you are only assessed on 70% of the value of your personal property. That assessment is converted into mills and multiplied by your town's mill rate to determine your property tax.

2) You may qualify for an exemption on either all of your personal property or a component of it. For example, many non-profits are entitled to a full exemption of their personal property in Connecticut. Many manufacturers are entitled to an exemption on their manufacturing equipment. Make sure you are classifying your property correctly, but also, when possible, make sure you are classifying it in the most tax-advantageous way and filing all appropriate exemption forms.

3) There are stiff penalties for failing to file your property tax return. An additional 25% is added to your assessment in the form of a penalty.

4) Watch the form you are using. While many of the 169 cities and towns in Connecticut use a standard generic form, many others have their own forms, with their own depreciation rates. If you did not receive a form in the mail from your assessor, pay special attention to make sure the one you retrieved online is the correct one.

5) Your property is never fully depreciated for personal property tax purposes. If your property has zero book or tax value, it still has value for property tax purposes and still must be reported on the property tax return. Each town has its own depreciation rates that differ from income tax or book purposes. Therefore, use this as an incentive to make sure your books are clean and any disposed property is written off.

6) Do you lease equipment? If you are a lessor or a lessee, you have additional reporting requirements on the property tax return. Depending on the lease agreement, you may or may not need to include the value on your property tax returns (and pay the associated tax). However, you always need to include additional details for informational purposes.

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Does anyone own an entity? *Watch out for the new proposed regulations on valuation discounts!*

By James S. Rollinson, Jr., CPA

Whether it's an operating business or a family limited partnership holding investments, transferring (gifting) shares or an interest in an entity among family members has been scrutinized by the IRS. The primary focus is on the value being transferred due to discounts taken for lack of minority interest and lack of marketability. Obviously, the higher the value transferred, the more likely estate and/or gift taxes would apply.

In August of 2016, the IRS issued proposed regulations that would affect the valuations of family-owned entities. Although the 2016 federal estate tax exclusion is as high as $5,450,000 (double that if you consider the portability) and the CT estate tax exclusion is $2,000,000, values of entities held by an individual can be significant enough to cause a decedent to be over the federal and/or state estate tax exclusion amount when combined with the rest of his/her estate.

The proposed regulations provide a strong sense of the direction the IRS will take when auditing returns and then eventually make the regulations temporary or final. There

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Dworken, Hillman, LaMorte & Sterczala, P.C.
Certified Public Accountants / Business Consultants
Four Corporate Drive, Suite 488, Shelton, CT 06484
(203) 929-3535 • www.dhls.com

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7) Make sure you use diligence in determining whether or not your leasehold improvements must be included on your property tax returns. Since each town differs on their definition of personal property, it is wise to call the town if you are uncertain.

8) The cost of the property included on your return should include installation and transportation costs.

9) Can't file in time? Many assessors allow an extension for good cause. However, unlike an income tax return, an extension is not guaranteed. Make sure you ask for permission in writing and get confirmation of the acceptance before using an extension.

10) Not happy with your assessment? Fight it! Once the Assessor determines the grand list values they send out your assessment. If it doesn't equal 70% of the value you reported on your personal property tax return and you have good back-up to support your figures, fight it by filing an appeal with the town by February 20, 2017 or March 20, 2017, depending on when your town's grand list is finalized. They will set up a time for you to meet with the board where you should be prepared to make your case. ■

For more information on how we at DHL&S can help with these and other tax planning and financial opportunities, please contact your tax specialist at 203-929-3535, or visit our website at www.dhls.com.

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Does anyone own an entity?

seems to be a very slim chance that the proposed regulations would be repealed. A public hearing is scheduled on December 1, 2016 during which the public will be able to provide their opinions and concerns about the proposed regulations and to request modifications and changes. Written and electronic comments must be provided to the submission address no later than November 2, 2016.

Some of the factors affected by the proposed regulations are:

Re-define "covered entities":

Currently IRC Section 2704 provides special valuation rules geared toward corporations and partnerships in which there are intra-family transfers of interest. The proposed regulations would refine the definition of "covered entities" to also include any business entity or arrangement under local law in which the entity is created or governed.

The lapsing of any voting or liquidation right on intra-family transfers:

Transferees that would not have the right to control or liquidate their interest in a family transfer would be a concern for the IRS because the family would still have control. Discounts would not be allowed unless in very limited circumstances under the proposed regulations. An example of a limited circumstance is where an unrelated third party lender that stipulates liquidation may not occur without the lenders consent and therefore it would be commercially reasonable to warrant a discount on the transfer.

"Disregarded restrictions" not allowed for discount in valuations:

One example of a "disregarded restriction" would be a limitation of the amount received by the transferee on liquidation or redemption in accordance with a partnership agreement which is less than "minimum value" and not required to be imposed by law. "Minimum value" is the entity's fair market value less outstanding obligations times the owners share of the entity. A partnership agreement that limits liquidation rights would be disregarded in this instance.

This is a brief summary of the proposed regulations and does not encompass all situations. If you have any questions regarding your particular situation, please contact us. ■

DHL&S Family News & Events

- Congratulations to **Jim Rollinson**, who has been promoted to the position of Director of Client Representation Services; and to **Tony Wimperis**, on his promotion to the position of Supervisor in the Tax Department.
- A hearty welcome aboard to **Sophia Lozado** and **Alyson Battista** who recently joined our Audit Staff.
- We also congratulate **Mark Pires** and his wife, Diane, on the birth of their baby daughter, Olivia.
- DHL&S has been a long-time supporter of the Beardsley Zoo. At right, Board Member **Paul Sterczala** and his wife Janice (and friends) at this year's annual fund raiser.