

MICHIGAN PERSONAL PROPERTY TAX REFORM

PURPOSE

In an ongoing effort to make the state a more attractive place for businesses to invest and grow, Michigan is phasing out its Personal Property Tax (PPT) for most businesses beginning in 2014. This reform will substantially reduce compliance and administrative costs for businesses and will be especially attractive to manufacturers who rely on expensive capital investments in tools and other equipment. Table 1 and Table 2 summarize the timing of the PPT phase out for small businesses and eligible manufacturing personal property.

ELIGIBLE MANUFACTURING PERSONAL PROPERTY (EMPP)

EMPP could include both commercial personal property and industrial personal property. More specifically, the term refers to all personal property located on real property where that personal property is used more than 50% of the time in industrial processing or in supporting industrial processes.

TABLE 1. PERSONAL PROPERTY TAX PHASE OUT

A. Small Business Personal Property

If commercial or industrial personal property owned or under control of a business within a city or township is worth a total of \$80,000 or less, the personal property is 100% exempt beginning in 2014.

B. Eligible Manufacturing Personal Property

Purchase Period*	Status
Purchased by first owner after 2012	100% exempt beginning in 2016
Purchased by first owner before 2006	100% exempt beginning in 2016
Purchased by first owner in 2006 through 2012	100% exempt when equipment becomes 10 years old (see Table 2 for detailed schedule)

* Note: The exempt status is based on the year the equipment was first purchased by its first owner, not necessarily the current owner.

EXISTING ABATEMENTS

Personal property already under abatement may qualify for an extension of the abatement term until the personal property qualifies for the new PPT exemption. For those businesses with PA 198 or PA 328 abatements that expire after 2013 but before the eligible manufacturing PPT exemption becomes effective, the abatements on that eligible manufacturing personal property are extended until the eligible manufacturing personal property becomes exempt under the new PPT exemption schedule. See Table 1 and Table 2 for more information.

STATEWIDE ESSENTIAL SERVICES ASSESSMENT (SESA)

Businesses claiming the eligible manufacturing PPT exemption will be subject to a statewide special assessment to fund essential services levied by local governments.

The SESA will be levied on all exempt EMPP starting in 2016. The tax base is the fair market value of EMPP at the time of acquisition. For property acquired 1-5 years before the tax year, the tax rate will be 2.4 mills. For property acquired 6-10 years before the tax year, it will be 1.25 mills.

TABLE2. EXEMPTION SCHEDULE FOR EXISTING PROPERTY

Purchased by first owner in	100% exemption goes into effect
2006	2017
2007	2018
2008	2019
2009	2020
2010	2021
2011	2022
2012	2023

For property acquired more than 10 years before the tax year, the rate will be 0.9 mills.

Taxpayers are required to submit electronically to Treasury a completed statement and full payment by September 15. If the assessment is not paid, Treasury will send notice by October 15 and impose up to a 5% penalty. If the statement and payment are not received by November 1, the EMPP exemptions are rescinded for that tax year. Taxpayers must submit a personal property statement by November 10; the exempted summer tax will be added to the winter bill. For taxpayers making a minimum of \$25 million in additional EMPP investment, the Michigan Strategic Fund Board may provide a 50% or 100% exemption from the SESA for the new investment.

Reimbursements for essential services loss will be made with the authority's share of use tax revenue. Loss includes personnel pension costs and future revenue from exemptions that would have expired. To calculate the amount of essential services loss, the FY 2014 Comprehensive Annual Financing Report (CAFR) must include the percentage of FY 2012 General Fund revenue that was used by the local unit of government to fund essential services.

CONTACT

For more information, contact the Michigan Department of Treasury at 517.335.2167.