

## Critical Deadline Approaches for Personal Property Tax Exemption

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February 10, 2016

A significant new exemption from personal property tax for manufacturers which was approved by voters in 2014 is about to take effect in 2016. However a critical filing deadline of **February 22, 2016** in your local city or township must be met to qualify for this important new exemption – or else the right to claim the exemption will be forfeited.

Here are four things you need to know about the new exemption:

- **“Manufacturing” is not the same as “industrial”** - The new exemption applies to “eligible manufacturing personal property” (EMPP) which includes most but not all property currently classified as industrial. Some property classified as industrial property may not be included, while other property classified as commercial property may be included. Taxpayers must therefore examine the new criteria carefully to determine if their property is “eligible.”
- **Only “middle aged” equipment remains taxable** – The exemption applies to both the newest and oldest property – in 2016, all property acquired after 2012 or before 2006 is exempt, leaving only 2006-2012 acquisitions taxable. Each subsequent year the oldest vintage of property drops off, until 2023, when the last vintage – property acquired in 2012 – becomes exempt. This slow phase-in of the new exemption is one of its most confusing aspects.
- **The return must be received by the assessor by the deadline, not just mailed** - The law contains the very taxpayer-unfriendly requirement that the local unit must receive the return by the filing deadline, so the mailbox rule does not apply. And taxpayers who file late lose their exemption completely, so timely filing is critical.
- **A little tax remains** – The law imposes a state “essential services assessment” on all property which is exempt from the regular personal property tax to pay for police. This tax is imposed at a fraction of the regular local millage rate. The newest property, less than six years old, is taxed on its original cost at 2.4 mils. This is roughly 10% of the average tax rate on personal property. For example a taxpayer with \$5 million in newer equipment would pay about \$12,000 under the new state tax as opposed to more than \$100,000 in local tax. The tax rate eventually goes down to 0.9 mils, but never goes away.

If you have questions about the application of the new exemption, please contact Gregory Nowak or any other Miller Canfield attorney.

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