

Instructions for Form 5403

Personal Property 2016 Taxable Value for Expired Tax Exemptions

Purpose of This Form

The Local Community Stabilization Authority Act (LCSA Act), 2014 Public Act 86, provides reimbursement for increased revenue a local government or tax increment finance authority (TIF) would have received from an expired Industrial Facilities Tax (IFT), PA 328, or renaissance zone exemption, but will not receive due to the new Eligible Manufacturing Personal Property (EMPP) exemptions or the related extension of the IFT or PA 328 exemptions for EMPP. The LCSA Act requires assessors to report the increased value from expired tax exemptions needed to calculate the reimbursements for local government essential services millage and TIFs. The essential services reimbursement is the portion of general operating millage that is used to fund essential services (i.e. police, fire, ambulance or jails) plus millage earmarked for essential services, multiplied by the increased value from expired tax exemptions. If the form is not completed and returned, local governments and TIFs will not receive this reimbursement, which is in addition to the reimbursement for all millages based on the overall decline in taxable value of industrial and commercial personal property.

Complete this form for personal property subject to the IFT or PA 328 exemption identified in Part 1 of this form. A separate form will be sent for expired renaissance zone exemptions.

General Instructions

Section 13(6) of the Local Community Stabilization Authority Act (LCSA Act), MCL 123.1353(6), requires assessors to annually report the increased value from expired tax exemptions for each municipality. The LCSA Act defines the increased value from expired tax exemptions in Section 5(n) of the LCSA Act, MCL 123.1345(n), as the increase in taxable value subject to tax of industrial personal property and commercial personal property placed in service before 2013 that would have occurred in 2016 as a result of the expiration of an IFT, PA 328, or renaissance zone exemption that had been in effect in 2013 and would have expired before 1/1/16, assuming the IFT or PA 328 exemption was not extended under the PPT legislation and if the exemptions under Sections 9m or 9n of the general property tax act, 1893 PA 206, MCL 211.9m and 211.9n, were not in effect.

The LCSA Act provides that assessors remit the information from this form to their equalization director, who is then required to forward the data to Treasury. For 2016, assessors are asked to submit the form directly to Treasury, and also send a copy to the county equalization director and TIFs identified on Part 2, line 5 of this form. Equalization directors should not forward this form to Treasury.

Line-By-Line Instructions

Lines not listed are explained on the form.

Part 2: Estimated 2016 Taxable Value

Line 1: "Fair market value" means the fair market value of personal property at the time of acquisition by the first owner, including the cost of freight, sales tax, and installation, and other capitalized costs, except capitalized interest. There is a rebuttable presumption that the acquisition price paid by the first owner for personal property, and any cost of freight, sales tax, and installation, and other capitalized costs, except capitalized interest, reflect the fair market value.

Line 2: For EMPP first placed in service before 2006, the 2016 Form 5278 does not provide sufficient information to calculate the 2016 taxable value of the EMPP. For EMPP formerly subject to an expired IFT exemption, this amount can be estimated from the IFT parcel's 2015 *Personal Property Statement*, Form 632 (using "Optional Worksheet for Completing Part 2, Line 2"; see page 4 for instructions), or from additional information the assessor requests from the taxpayer. For EMPP formerly subject to an expired PA 328 exemption, assessors shall estimate the 2016 taxable value from the information on Part 3 of the 2016 Form 5278, from information previously provided by the taxpayer, or from additional information the assessor requests from the taxpayer.

Line 3: For EMPP subject to an extended PA 328 exemption, assessors shall estimate 2016 taxable value from information on Part 3 of the 2016 Form 5278, from information previously provided by the taxpayer, or from additional information the assessor requests from the taxpayer.

Example for Form 5403 Personal Property 2016 Taxable Value for Expired Tax Exemptions Optional Worksheet

When completing the worksheet, include data from all schedules of the 2015 *Personal Property Statement*, Form 632, that are used to determine assessed value.

Line-By-Line Example

Lines not listed are explained on the form.

Lines 1 and 2: For example, using costs reported on Section B, 2015 *Personal Property Statement*, Form 632:

<u>Year Placed in Service</u>	<u>Acquisition Cost</u>		<u>Multiplier</u>	=	<u>True Cash Value</u>
2005	1,000,000	X	.36	=	360,000
2004	900,000	X	.33	=	297,000
2003	<u>800,000</u>	X	.31	=	<u>248,000</u>
Total	2,700,000				<u>905,000</u>

Enter 2,700,000 on line 1 of the worksheet and 905,000 on line 2 of the worksheet.

Line 3: For example, using costs reported on Section B, 2015 *Personal Property Statement*, Form 632, and the multipliers for the year placed in service from the 2016 *Personal Property Statement*, Form 632, (2015 multipliers moved up one year):

<u>Year Placed in Service</u>	<u>Acquisition Cost</u>		<u>Multiplier</u>	=	<u>True Cash Value</u>
2005	1,000,000	X	.33	=	330,000
2004	900,000	X	.31	=	279,000
2003	<u>800,000</u>	X	.29	=	<u>232,000</u>
Total	2,700,000				<u>841,000</u>

Enter 841,000 on line 3 of the worksheet.

Line 5: Using the example for lines 1 and 3, $841,000 / 2,700,000 = 31.1481\%$ (0.311481)

Line 6: For example purposes, assume the acquisition cost for the EMPP formerly under the exemption certificate identified in Part 1 and placed in service prior to 2006 totals \$2,500,000 as reported on Part 3 of the 2016 Form 5278.

Line 7: $2,500,000$ (line 6) \times 0.311481 (line 5) = $778,703$

Line 8: $778,703$ (line 7) \times 0.5 = $389,351$