

Frequently Asked Questions
New Personal Property Exemption
(PA 328 of 1998, as amended)

The following frequently asked questions are being provided as a service to assessors and taxpayers to better inform them about the administration of Public Act 328 of 1998, as amended.

Note: The information contained in these frequently asked questions constitutes an analysis of one or more statutes and not legal advice. Since the analysis is limited to general statutory requirements, individual facts may result in different conclusions being reached. Therefore, individuals may wish to consult legal counsel.

1. What is a New Personal Property Tax Exemption?

The New Personal Property Tax Exemption, Public Act 328 of 1998, as amended, was created to provide a tax reduction to eligible businesses bringing new business or more business to the State of Michigan. Types of eligible businesses are those primarily engaged in manufacturing, mining, research and development, wholesale trade or office operations. Through December 31, 2012, eligible businesses also include major distribution and logistics facilities, headquarter facilities, competitive edge technology, information technology and businesses that may qualify for a tax credit under the Michigan Economic Growth Authority (MEGA) Act. In order to qualify for the exemption, the qualified personal property must be placed in an “eligible district” after the local governmental unit adopts the resolution which provides for the exemption. Property placed in the district prior to the resolution will not receive the exemption. Also, the “eligible district” must be established before the exemption can be approved by the local governmental unit’s resolution. Completed applications are first submitted to the local governmental unit (i.e. city, township or village) for approval. If the local government approves the application, they then forward it to the State Tax Commission for review and approval.

An application for the New Personal Property Tax Exemption can be found at the Michigan Department of Treasury website: www.michigan.gov/propertytaxexemptions.

2. How do I file a New Personal Property Tax Exemption Application?

Application is made by the owner of the facility seeking the exemption and filed with the local governmental unit. After a resolution approving the exemption has been adopted, the applications are sent to the State Tax Commission. Complete applications must meet all of the following requirements:

- a. The personal property must be NEW PERSONAL PROPERTY, not previously on Michigan’s tax rolls and personal property placed in the district after the resolution was adopted.
- b. The personal property must be located in an ELIGIBLE LOCAL ASSESSING DISTRICT, a city, township or village that contains an ELIGIBLE DISTRESSED AREA.

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- c. The local assessing district must adopt a resolution which provides for the exemption.
- d. The new personal property must be owned or leased by an ELIGIBLE BUSINESS.
- e. The new personal property and the eligible business must be located in an ELIGIBLE DISTRICT.

The following are documents that must accompany all applications:

- a. A legal description for the property where the business is located.
- b. Detailed description of the business activities.
- c. Resolution approving the personal property exemption.

3. What is an Eligible District?

“Eligible district” means 1 or more of the following:

- (i) An Industrial Development District as defined in Plant Rehabilitation and Industrial Development Act, 1974 PA 198, MCL 207.551 to 207.572.
- (ii) A Renaissance Zone as defined in the Michigan Renaissance Zone Act, 1996 PA 376, MCL 125.2681 to 125.2696.
- (iii) An Enterprise Zone as defined in the Enterprise Zone Act, 1985 PA 224, MCL 125.2101 to 125.2123.
- (iv) A Brownfield Redevelopment Zone as designated under the Brownfield Redevelopment Financing Act, 1996 PA 381, MCL 125.2651 to 125.2672.
- (v) An Empowerment Zone as designated under Subchapter U of Chapter 1 of the Internal Revenue Code of 1986, 26 USC 1391 to 1397F.
- (vi) An Authority District or a Development Area as defined in the Tax Increment Finance Authority Act, 1980 PA 450, MCL 125.1801 to 125.1830.
- (vii) An Authority District as defined in the Local Development Financing Act, 1986 PA 281, MCL 125.2151 to 125.2174.
- (viii) A Downtown District or a Development Area as defined in the Downtown Development Authority Act, 1975 PA 197, MCL 125.1651 to 125.1681.

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(ix) An area that contains an “Eligible Taxpayer”.

4. **What is a “distressed parcel”?**

A distressed parcel means a parcel of real property located in a city or village that meets the following conditions:

- a. Is located in a qualified Downtown Revitalization District, which is an area located within one or more of the following:
 1. The boundaries of a Downtown District as defined in the Downtown Development Authority Act, 1975 PA 197, MCL 125.1651.
 2. The boundaries of a Principal Shopping District or a Business Improvement District as defined in the Principal Shopping Districts and Business Improvement Districts Act, 1961 PA 120, MCL 125.981.
 3. The boundaries of the local governmental unit in an area that is zoned and primarily used for business as determined by the local governmental unit.
- b. Meets one of the following conditions:
 1. Has a blighted or functionally obsolete building located on the parcel. “Blighted” and “functionally obsolete” are defined in section 2 of the Brownfield Redevelopment Financing Act, 1996 PA 381, MCL 125.2652.
 2. Is a vacant parcel that had been previously occupied.
- c. Is zoned to allow for mixed use.

5. **What is an Eligible Local Assessing District?**

An “eligible local assessing district” means a city, village, or township that contains an eligible distressed area or a city, township or village that meets one (1) or more of the following conditions and is located in a county all or a portion of which borders another state of Canada:

- i. Is currently served by not fewer than four (4) of the following existing services:
 - a. water

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- b. sewer
 - c. police
 - d. fire
 - e. trash
 - f. recycling
- ii. Through December 31, 2012, is party to an agreement under 1984 PA 425, MCL 124.21 to 124.30, with a city, village, or township that provides not fewer than four (4) of the following existing services:
- a. water
 - b. sewer
 - c. police
 - d. fire
 - e. trash
 - f. recycling

6. What is an “Eligible Taxpayer”?

An “eligible taxpayer” means a taxpayer that meets both of the following conditions:

- i. Is an “authorized business”.
- ii. Is eligible for tax credits described in Section 9 of the Michigan Economic Growth Authority Act, 1995 PA 24, MCL 207.809.

7. What is an “Authorized Business”?

An “authorized business” means one (1) of the following:

- i. A single eligible business with a unique federal employer identification number that has met the requirements of section 8 of the Michigan Economic Growth Authority (MEGA) Act, 1995 PA 24, MCL 207.809 and with which the authority has entered into a written agreement for a tax credit under section 9 of the MEGA Act.
- ii. A single eligible business with a unique federal employer identification number that has met the requirements of section 8 of the Michigan Economic Growth Authority (MEGA) Act, except as provided in this subparagraph, and with which the authority has entered into a written agreement for a tax credit under section 9 of the MEGA Act. An eligible business is not required to create qualified new jobs or maintain retained jobs if qualified new jobs are created or retained jobs are maintained by an associated business, subsidiary business, affiliated business, or an employee leasing company or professional employer organization that has entered into a contractual service agreement with the authorized business

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in which the employee leasing company or professional employer organization withholds income and social security taxes on behalf of the authorized business.

8. What is the definition of an “Eligible Business”?

Effective August 7, 1998, MCL 211.9f defines an Eligible Business as a business engaged primarily in manufacturing, mining, research and development, wholesale trade, or office operations. Through December 31, 2012, an “eligible Business” also includes the operation of a facility for which the business that owns or operates the facility is an eligible taxpayer, such as major distribution & logistics facilities, headquarter facilities, competitive edge technology, information technology and certain businesses that qualify for a tax credit under the Michigan Economic Growth Authority (MEGA) Act, 1995 PA 24, MCL 207.809. Eligible business does not include a casino, retail establishment, professional sports stadium, or that portion of an eligible business used exclusively for retail sales. “Casino” means a casino regulated by this state pursuant to the Michigan Gaming Control and Revenue Act, Initiated Law 1 of 1996, MCL 432.201 to 432.226, and all property associated or affiliated with the operation of a casino, including, but not limited to, a parking lot, hotel, motel, or retail store.

9. Who can file an application for a New Personal Property Tax Exemption and with whom is it filed?

The application is filed by an Eligible Business engaged primarily in manufacturing, mining, research and development, wholesale trade, office operations, major distribution & logistics facilities, headquarter facilities, competitive edge technology, information technology and certain businesses that qualify for a tax credit under the Michigan Economic Growth Authority (MEGA) Act, 1995 PA 24, MCL 207.809. Eligible business does not include a casino, retail establishment, professional sports stadium, or that portion of an eligible business used exclusively for retail sales. “Casino” means a casino regulated by this state pursuant to the Michigan Gaming Control and Revenue Act, Initiated Law 1 of 1996, MCL 432.201 to 432.226, and all property associated or affiliated with the operation of a casino, including, but not limited to, a parking lot, hotel, motel, or retail store.

10. What is the deadline for filing an application for a New Personal Property Tax Exemption?

In order for an application to be considered and approved in the year in which the application is filed, all applications must be submitted by the local unit to the State Tax Commission before October 31st. Applications submitted after the deadline will be processed based on staff availability.

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11. What happens when an incomplete application for a New Personal Property Tax Exemption is received?

If an application is incomplete or missing required elements when submitted to the State Tax Commission, the company and or the local unit of government will be contacted and additional information will be requested.

12. Who determines whether a facility qualifies for a New Personal Property Tax Exemption?

The local unit is responsible for determining that a particular business is an “eligible business”. Those qualified for the Michigan Economic Growth Authority (MEGA) tax credit under section 9 of PA 24 of 1995, must provide documentation to the local unit proving eligibility.

13. What is the role of the Local Unit of Government in the New Personal Property Tax Exemption process?

The governing body of a local assessing district must adopt a resolution which provides for the exemption. The resolution requires specific language that addresses the established eligible district, the length of the personal property exemption and that the company is a qualified eligible business.

14. What determines the starting date of the New Personal Property Tax Exemption?

The date of the resolution approving the exemption is the starting date. Any personal property placed in the eligible district on or after the resolution date is covered under the exemption.

15. Can a New Personal Property Tax Exemption be transferred to a new owner?

Yes. If an existing eligible business sells or leases new personal property exempt under an exemption to an acquiring eligible business, the exemption granted to the existing eligible business shall continue in effect for an acquiring eligible business only if the continuation of the exemption is approved in a resolution adopted by the governing body of an eligible local assessing district.

16. Is there a limit to the term of a New Personal Property Tax Exemption?

The term limit is established by the local unit of government and is included in the resolution approving the exemption. There is no statutory limitation to the length of term for the exemption.

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17. **How will I be notified whether the New Personal Property Tax Exemption was granted or not?**

The State Treasurer emails a letter to the eligible business, eligible assessing district clerk and assessor when the application has been approved. The letter will list the certificate number assigned to that specifically approved application, and will verify the status and term of the exemption.

18. **I have a New Personal Property Tax Exemption in place and I purchase new equipment to replace old, outdated equipment. Is this new equipment covered under the existing exemption?**

Yes. Any personal property that is purchased after the exemption is granted qualifies under the same terms that the original personal property did as long as it is the same type that was already approved by resolution.

Note: In order to qualify for the exemption, the qualified personal property must be placed in the district after the local assessing district adopts the resolution which provides for the exemption. Property placed in the district prior to the resolution will not receive the tax exemption. Also, the Eligible District must be an already established district, i.e., the resolution approving the New Personal Property Tax Exemption can not be approved prior to the resolution establishing the district.

19. **How is the tax computed for a New Personal Property Tax Exemption?**

There are no taxes on property covered under this act. This is a 100% tax exemption.