

STATE OF MICHIGAN



JOHN M. ENGLER, Governor

DEPARTMENT OF TREASURY

DOUGLAS B. ROBERTS, State Treasurer

STATE TAX COMMISSION

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BULLETIN NO. 14
 COMPUTER SOFTWARE
 DECEMBER 19, 1990

COMMISSION MEMBERS

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TO: ALL ASSESSING OFFICERS AND EQUALIZATION DIRECTORS

FROM: MICHIGAN STATE TAX COMMISSION

Section 9d of the General Property Tax Act was added by Act No. 286 of the Public Acts of 1990. Section 9d provides as follows:

(1) Computer software is exempt from taxation under this act unless either of the following is true:

(a) The software is incorporated as a permanent component of a computer, machine, piece of equipment, or device, or of real property, and the software is not commonly available separately.

(b) The cost of the software is included as part of the cost of a computer, machine, piece of equipment, or device, or of the cost of real property on the books or records of the taxpayers.

(2) This section shall not be construed to affect the value of a machine, device, piece of equipment, or computer, or the value of real property, or to affect the taxable status of any other property subject to tax under this act.

(3) As used in this section, "Computer Software" means a set of statements or instructions that when incorporated in a machine-usable medium is capable of causing a machine or device having information processing capabilities to indicate, perform, or achieve a particular function, task, or result.

The State Tax Commission appreciates the clarification of legislative intent provided by Act No. 286 as to whether all computer software is exempt from taxation. The Commission does not intend to process notifications of omitted or incorrectly reported computer software property pursuant to MCL 211.154 for tax years 1990 or prior.

The instructions for reporting software on Form L-4175, the 1991 Personal Property Statement, require the separate reporting of the installed cost of computer equipment including operational computer software and canned and custom application computer software if costs are known. Form L-4175 was designed prior to the enactment of Act No. 286 of the Public Acts of 1990. It is no longer necessary for taxpayers to comply with separate reporting requirements for software. Assessors should use their best efforts to tell taxpayers that separate reporting is no longer required. In all cases the provisions of the new statute apply in determining the assessability of software.

Please note that the value of real property or equipment is not to be reduced to account for software that is an inherent part of the property.

Act No. 286
Public Acts of 1990
Approved by Governor December 13, 1990
Filed with the Secretary of State December 14, 1990

**STATE OF MICHIGAN
85TH LEGISLATURE
REGULAR SESSION OF 1990**

Introduced by Reps. DeLange, Stabenow, Martin, Fitzgerald, Kulchitsky, Mathieu, Hoekman, Bender, London, Munsell and Van Singel
Reps. Allen, Bandstra, Bankes, Bennett, Crandall, DeBeaussaert, Dolan, Dunaskiss, Emmons, Gnodtke, Hart, Hertel, Hillegonds, Jaye, Krause, Maynard, Middaugh, Miller, Niederstadt, Ouwinga, Oxender, Pitoniak, Porreca, Profit, Randall, Rocca, Scott, Sparks, Stacey and Strand
named co-sponsors

ENROLLED HOUSE BILL No. 6207

AN ACT to amend Act No. 206 of the Public Acts of 1893, entitled as amended "An act to provide for the assessment of rights and interests, including leasehold interests, in property and the levy and collection of taxes thereon, and for the collection of taxes levied; making such taxes a lien on the property taxed, establishing and continuing the lien, providing for the sale and conveyance of property delinquent for taxes, and for the inspection and disposition of lands bid off to the state and not redeemed or purchased; to provide for the establishment of a delinquent tax revolving fund and the borrowing of money by counties and the issuance of notes; to define and limit the jurisdiction of the courts in proceedings in connection therewith; to limit the time within which actions may be brought; to prescribe certain limitations with respect to rates of taxation; to prescribe certain powers and duties of certain officers, departments, agencies, and political subdivisions of this state; to provide for certain reimbursements of certain expenses incurred by units of local government; to provide penalties for the violation of this act; and to repeal certain acts and parts of acts in anywise contravening any of the provisions of this act," as amended, being sections 211.1 to 211.157 of the Michigan Compiled Laws, by adding section 9d.

The People of the State of Michigan enact:

Section 1. Act No. 206 of the Public Acts of 1893, as amended, being sections 211.1 to 211.157 of the Michigan Compiled Laws, is amended by adding section 9d to read as follows:

Sec. 9d. (1) Computer software is exempt from taxation under this act unless either of the following is true:

(a) The software is incorporated as a permanent component of a computer, machine, piece of equipment, or device, or of real property, and the software is not commonly available separately.

(b) The cost of the software is included as part of the cost of a computer, machine, piece of equipment, or device, or of the cost of real property on the books or records of the taxpayer.

(2) This section shall not be construed to affect the value of a machine, device, piece of equipment, or computer, or the value of real property, or to affect the taxable status of any other property subject to tax under this act.

(3) As used in this section, "computer software" means a set of statements or instructions that when incorporated in a machine-usable medium is capable of causing a machine or device having information processing capabilities to indicate, perform, or achieve a particular function, task, or result.

This act is ordered to take immediate effect.