

## STATE OF MICHIGAN



JOHN ENGLER, Governor  
**DEPARTMENT OF TREASURY**  
 DOUGLAS B. ROBERTS, State Treasurer  
**STATE TAX COMMISSION**  
 4th Floor Treasury Building  
 Lansing, Michigan 48922 - Telephone (517) 373-0500

## COMMISSION MEMBERS

Mark A. Hilbert, Chairperson  
 Lesley F. Holt  
 Leroy J. Nelson  
 Roland C. Anderson, Secretary

DATE: December 14, 1994

TO: Assessors  
 Equalization Directors

FROM: State Tax Commission

RE: 1) IMPLEMENTATION OF PA 96 OF 1994 WHICH DEALS WITH THE  
 "QUALIFIED PERSONAL PROPERTY" OF A "QUALIFIED BUSINESS"

FORM L-4143: 1995 STATEMENT OF "QUALIFIED PERSONAL PROPERTY"  
 BY A "QUALIFIED BUSINESS"

2) FORM L-4142: 1995 IDLE EQUIPMENT, OBSOLETE EQUIPMENT, AND  
 SURPLUS EQUIPMENT REPORT

1) Attached is a copy of Public Act 96 of 1994 which provides that  
 "qualified personal property" made available by a "qualified business"  
 may be assessed to its user rather than to the "qualified business"  
 provided that form L-4143 is filed with the assessor by February 1 of  
 the current year. This law applies to assessments for the years 1995,  
 1996, 1997, 1998 and 1999.

## DEFINITIONS

The terms "qualified business" and "qualified personal property" are  
 defined below.

"Qualified Business" is a business that meets the following 2  
 requirements:

- (A) It is a for-profit business.
- (B) It obtains services relating to the business from 30 or fewer  
 employees during a week selected at random by the State Tax  
 Commission. The State Tax Commission will select the random week  
 no later than January 15 each year.

"Employees" means:

- a) persons who perform a service for wages or other pay under a  
 written or oral contract of hire and
- b) employees of independent contractors performing services  
 substantially similar to employees and

- c) employees and independent contractors of an "affiliated group" or of an "entity under common control" if they provide services to the qualified business. "Affiliated group" and "entity under common control" are defined below.

An "affiliated group" means 2 or more corporations, 1 of which owns or controls, directly or indirectly, 80% or more of the capital stock with voting rights of the other corporation or corporations.

An "entity under common control" is as defined in the Michigan Revenue Administrative Bulletin 1989-48. You may obtain a copy by calling 1-800-FORM-2-ME.

"Qualified Personal Property" is property that meets the following 2 requirements:

(A) Requirement regarding sales tax:

- (a) It is property on which a retail sales tax has been paid or
- (b) It is property on which sales tax liability has accrued at the same time as the user acquired possession of the property or
- (c) It is Property on which sales tax would be payable if the property was not exempt from the tax.

(B) It is property that is subject to an agreement (frequently titled a lease) entered into after December, 31, 1993. Additionally, the agreement must meet the following 4 requirements:

- (a) It must be for a noncancelable term of 12 months or more.
- (b) The party that becomes the user or possessor of the personal property must be engaged in a for-profit business.
- (c) The user or possessor can obtain legal title to the property by:
  - 1) making all of the periodic payments or
  - 2) by making all of the periodic payments plus a final payment if the final payment is less than the true cash value of the property.

The true cash value is determined by using the personal property multipliers in Volume III of the State Assessor's Manual.

- (d) The agreement must require the user or possessor of the property to report the properties to the assessor on a personal property statement on or before February 20 and must require the user to pay the property tax.

## FORM L-4143

Attached is a copy of form L-4143 approved by the State Tax Commission on December 6, 1994. This form must be filed with the assessor no later than February 1 of the current assessment year.

The instructions on the form direct the "qualified business" to file two separate statements in each township or city where property is located. One statement should have assets grouped by year of purchase, listing the most recent purchase first. The second statement must have the same assets grouped (in alphabetical order) by the user responsible for paying the tax. The law states that the "qualified business" may not list property on form L-4143 subject to an agreement (frequently titled a lease) entered into before January 1, 1994.

Public Act 96 of 1994 also requires that a "qualified business" provide a copy of form L-4143 to each user of "qualified personal property" along with a notice to the user that the user is responsible for paying the personal property tax and for reporting the property to the assessor on the regular personal property statements.

The law also states that a user of "qualified personal property" may request from the assessor a copy of that portion of form L-4143 which includes the "qualified personal property" in the possession of that user. When such a request is made, the assessor is required by law to provide a copy of only that portion of form L-4143 which includes the "qualified personal property" in the possession of that user. **THE ASSESSOR SHALL NOT PROVIDE A COPY OF THOSE PARTS OF FORM L-4143 WHICH INCLUDE THE "QUALIFIED PERSONAL PROPERTY" IN THE POSSESSION OF OTHER USERS.**

If form L-4143 is not filed by February 1 of the current assessment year or if property is not included on the form, then the property is assessable in that year to the company that makes the property available rather than to the user.

If a "qualified business" has filed form L-4143 by February 1, the "qualified personal property" included on the form must also be reported by the user on the regular personal property statement that the user files by the statutory date of February 20. All personal property statements approved by the State Tax Commission for use in 1995 will have a designated area on the form where the user should report "qualified personal property".

## AUDIT

Public Act 96 of 1994 states that a certified assessor designated by the local tax collecting unit may examine the books and records of a person who files form L-4143 to the extent necessary to determine whether that person is a "qualified business" and whether the property is "qualified personal property". The law specifically states that the certified assessor who conducts this audit is not required to be a certified personal property examiner.

## **RANDOM WEEK**

In January of each year the State Tax Commission will select the random week referred to earlier in this bulletin in paragraph B of the definition of a "qualified business". The State Tax Commission will report the random week to assessors in a bulletin issued in January of each year.

## **2) FORM L-4142**

Attached is a copy of form L-4142 approved by the State Tax Commission on September 7, 1994. This form is labeled "1995 Idle Equipment, Obsolete Equipment, and Surplus Equipment Report". Form L-4142 should be kept on hand at the assessors office and should be made available to taxpayers who feel they may have idle, obsolete or surplus equipment in their possession.

The instructions on the back of the form provide guidelines to be used by the assessor and taxpayer in determining whether personal property qualifies to be reported on the Form L-4142 as idle, obsolete, or surplus equipment.

The taxpayer uses form L-4142 to report to the assessor the purchase price of personal property which he/she feels is idle, obsolete, or surplus equipment.

The assessor reviews what the taxpayer has reported on form L-4142 in order to determine whether the property reported qualifies for the additional depreciation given to idle, obsolete or surplus equipment.

Idle equipment will be reduced by the assessor to half (50%) of the value obtained by applying the normal State Tax Commission personal property multipliers to original acquisition costs.

Obsolete or surplus equipment will be reduced by the assessor to 25% of the value obtained by applying the normal State Tax Commission personal property multipliers to original acquisition costs.

The assessor may need to audit form L-4142 and to inspect the property listed on the form.

The assessor then carries the total cost and the total true cash value of qualifying equipment to the line on the calculation page of the personal property statement provided for idle, obsolete, or surplus equipment.

Act No. 96  
Public Acts of 1994  
Approved by the Governor  
April 12, 1994  
Filed with the Secretary of State  
April 13, 1994

**STATE OF MICHIGAN  
87TH LEGISLATURE  
REGULAR SESSION OF 1994**

Introduced by Senator Dunaskiss

**ENROLLED SENATE BILL No. 215**

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 8a.

*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 8a to read as follows:

Sec. 8a. (1) Qualified personal property made available by a person that is a qualified business for use by another person shall not be assessed to the qualified business and instead is assessable and taxable to the user who acquires or possesses the qualified personal property to the extent provided for in this section. Property assessed under this section shall not be required to be assessed separately from other personal property assessed to the user.

(2) A person who is a qualified business that makes available qualified personal property shall file the statement required by section 18 not later than February 1. A person to whom property is taxable as provided in this section shall

file the statement required by section 18 by February 20. The statement filed by the qualified business shall include, separately for each user, all of the following for all qualified personal property:

- (a) The name of the qualified business.
- (b) The user responsible for payment of the tax.
- (c) The type of property.
- (d) The location of the property, as indicated in the records of the qualified business.
- (e) The purchase price including sales tax, freight, and installation.
- (f) The year the property was purchased.

(g) If the qualified business is the manufacturer of the property, the original selling price, and if there is no original selling price, then the original cost.

(h) The amount and frequency of periodic payments required of the user.

(i) An affirmation that the person making the statement is a qualified business and that property included in the statement is qualified personal property as defined in this section.

(3) A person who makes available qualified personal property that files the statement provided for in subsection (2) shall provide a copy of the statement to each user of property responsible for payment of the tax along with a notice that the user is responsible for reporting the property and the payment of the tax. A user of qualified personal property may request from the assessor, and the assessor shall provide, a copy of that portion of the statement filed by the qualified business by February 1 that includes qualified personal property for that user. If the statement is not filed by February 1, or if property is not included in the statement required to be filed by February 1, then property is assessable and taxable to the person who makes the property available regardless of whether the person is a qualified business or the property is qualified personal property.

(4) A designee of the local tax collecting unit who is a certified assessor may examine the books and records of a person who files the statement required by subsection (2) that are necessary to determine if the person is a qualified business and if property included in the statement required by subsection (2) is qualified personal property. A person is not required to be a certified personal property examiner to examine books and records pursuant to this subsection.

(5) The state tax commission shall develop additions to the statement required by section 18 necessary to assure that property reported pursuant to subsection (2) is certified under oath to be qualified personal property reported by a qualified business.

(6) As used in this section:

(a) "Employee" means a person who performs a service for wages or other remuneration under a contract of hire, written or oral, express or implied.

(b) "Qualified business" means a for-profit business that obtains services relating to that business from 30 or fewer employees or employees of independent contractors performing services substantially similar to employees during a random week in the year ending on the tax day. If a person is an entity under common control or is a member of an affiliated group as those terms are used in section 36(7) of the single business tax act, Act No. 228 of the Public Acts of 1975, being section 208.36 of the Michigan Compiled Laws, the number of employees from whom services are obtained includes all employees of the group and employees of independent contractors of the group rendering services to the qualified business.

(c) "Qualified personal property" means property on which a retail sales tax has been paid or liability accrued contemporaneous with the user acquiring possession of the property, or on which sales tax would be payable if the property was not exempt, and that is subject to an agreement entered into after December 31, 1993 to which all of the following apply:

(i) A party engaged in a for-profit business obtains the right to use or possess personal property in exchange for making periodic payments for a noncancelable term of 12 months or more.

(ii) The party making periodic payments can obtain legal title to the property by making all the periodic payments or all of the periodic payments and a final payment that is less than the true cash value of the property determined using state tax commission cost multipliers for personal property.

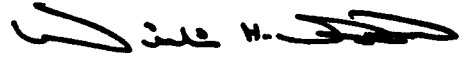
(iii) The written agreement between the qualified business and the party making periodic payments requires that party to report the property pursuant to section 18 and to pay taxes assessed against the property.

(d) "Random week" means a 7-day period during a calendar year beginning on a Monday and ending on a Sunday that is selected at random. Not later than January 15 each year, the state tax commission shall establish the random week for the immediately preceding year.

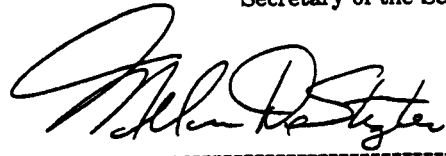
(7) This section does not affect the requirements for reporting or assessing personal property acquired or possessed by a nonprofit organization.

(8) This section applies to personal property assessments made after 1994 and before 2000.

This act is ordered to take immediate effect.



Secretary of the Senate.



Co-Clerk of the House of Representatives.

Approved \_\_\_\_\_

\_\_\_\_\_  
Governor.

This form is issued under authority of the General Property Tax Act (P.A. 206 of 1893). This statement is subject to audit

**1995 STATEMENT OF "QUALIFIED PERSONAL PROPERTY" BY A "QUALIFIED BUSINESS"**

**THIS FORM MUST BE COMPLETED AND FILED WITH THE ASSESSOR NO LATER THAN FEBRUARY 1, 1995.**

**IMPORTANT:** A "qualified business" (defined on reverse side) that wishes to have users be assessed for "Qualified Personal Property" (defined on reverse side) in 1995 must complete this form and file it with the assessor no later than February 1, 1995. If this form is not filed by February 1, 1995, or if property is not included on the form, then the property is assessable in 1995 to the company that makes the property available rather than the user.

The law requires that you provide a copy of this statement to each user of property responsible for payment of the tax along with a notice that the user is responsible for reporting the property and for paying the tax. You are not required to report all of your assets to each user but only those assets in the possession of that user.

Name of "Qualified Business"		
Mailing Address (Street or RR #, City, State ZIP)	Is the "Qualified Business" a manufacturer of personal property? (See instruction #2) <input type="checkbox"/> YES <input type="checkbox"/> NO	
Name of Person to Contact	Place Where Records are Kept	Telephone Number

**INSTRUCTIONS:** Two (2) separate statements must be filed in each township and city where property is located using the format below. One statement should have assets grouped by year of purchase, listing the most recent purchase first. The second statement must have assets grouped (in alphabetical order) by the user responsible for paying the tax. You may not list property subject to an agreement (frequently titled a lease) entered into before January 1, 1994.

Name of Township or City Where the Property is Located on December 31, 1994					
User's Name and Street Address Where Property is Located (see inst. #4)	Description of Equipment and Model or Serial No.	Purchase Price (see inst. #3)	Year of Purchase	Periodic Payment by User	Frequency of Payment (see inst. #5)

Attach additional schedules if necessary, following the same reporting format.

State of Michigan ss  
County of \_\_\_\_\_

I, \_\_\_\_\_, being duly sworn, depose and say that the company which I represent is a qualified business as defined in Section 8a of P.A. 206 of 1893, as amended and that the personal property reported on this form is qualified personal property as defined in Section 8a of P.A. 206 of 1893, as amended.

Subscribed and sworn to before me this \_\_\_\_\_ Signed \_\_\_\_\_  
day of \_\_\_\_\_, 19\_\_\_\_ Title \_\_\_\_\_  
Must be Signed by Owner, Partner or Corporate Officer or a duly authorized agent.

My Commission Expires \_\_\_\_\_ Signature of Preparer \_\_\_\_\_



## INSTRUCTIONS

"Qualified personal property" made available by a "qualified business" may be assessed to its user provided this form is completed and filed with the assessor no later than February 1, 1995. Read the following instructions to determine whether you are a "qualified business" and whether your personal property is "qualified personal property."

### (1) DEFINITIONS:

"Qualified Business" is a business that meets the following two (2) requirements:

- (A) It is a for-profit business.
- (B) It obtains services relating to the business from 30 or fewer employees during a week selected at random by the State Tax Commission no later than January 15, 1995. "Employees" means persons who perform a service for wages or other remuneration under a contract of hire, written or oral, expressed or implied. "Employees" includes employees of independent contractors performing services substantially similar to employees. If a person is an entity under common control or is a member of an affiliated group as those terms are defined below, the number of employees from whom services are obtained includes all employees of the group and of independent contractors of the group rendering services to the qualified business.

An "affiliated group" means 2 or more corporations, 1 of which owns or controls, directly or indirectly, 80% or more of the capital stock with voting rights of the other corporation or corporations.

An "entity under common control" - is as defined in the Michigan Revenue Administrative Bulletin 1989-48. You may obtain a copy by calling 1-800-FORM-2-ME.

"Qualified Personal Property" is property that meets the following two (2) requirements:

- (A) It is property on which a retail sales tax has been paid or on which liability accrued at the same time as the user acquired possession of the property or on which sales tax would be payable if the property was not exempt from the tax.

(B) It is property that is subject to an agreement (frequently titled a lease) entered into after December 31, 1993. Additionally, the agreement must meet the following four (4) requirements:

- (a) It must be for a noncancelable term of 12 months or more.
- (b) The party that becomes the user or possessor of the personal property must be engaged in a for-profit business.
- (c) The user or possessor can obtain legal title to the property by making all of the periodic payments or by making all of the periodic payments plus a final payment if the final payment is less than the true cash value of the property. The true cash value is determined by using the personal property multipliers in Volume III of the State Assessor's Manual.
- (d) The agreement must require the user or possessor of the property to report the properties to the assessor on a personal property statement on or before February 20 and must require the user to pay the property tax.
- (2) If the "qualified business" is the manufacturer of the personal property that is made available for use by another, the "qualified business" must report the original selling price in the "Purchase Price" column. If there is no original selling price, the qualified business must report the original cost. See also instruction # 3.
- (3) Purchase price must include sales tax, freight, and installation.
- (4) The location of the property is as indicated in the records of the "qualified business".
- (5) You may list "Mo" for monthly or "Yr" for yearly.

**1995 STATEMENT OF "QUALIFIED PERSONAL  
PROPERTY" BY A "QUALIFIED BUSINESS"**

(For Additional Reporting)

Name of Township or City Where the Property is Located on December 31, 1994					
User's Name and Street Address Where Property is Located (see inst. #4)	Description of Equipment and Model or Serial No.	Purchase Price (see inst. #3)	Year of Purchase	Periodic Payment by User	Frequency of Payment (see inst. #5)

# 1995 IDLE EQUIPMENT, OBSOLETE EQUIPMENT, AND SURPLUS EQUIPMENT REPORT

**IMPORTANT:** Idle, obsolete and surplus equipment may qualify for additional depreciation. Read the instructions on the reverse side of this form to determine whether your personal property may qualify for treatment as idle, obsolete or surplus equipment. You may also contact your assessor or the State Tax Commission. If you qualify, you must complete this schedule (Form L-4142) and attach it to your personal property statement. This schedule is subject to audit. Also, an inspection may be required.

Owner's Name		Doing Business As	
Mailing Address (Street or RR#, City, State, ZIP)		Equipment Location (Street or RR#, City, State, ZIP)	
Name of Person to Contact	Telephone Number	Parcel Number	

**INSTRUCTIONS:** Report original total cost of equipment including sales tax, freight and installation. Assets reported on this form (L-4142) as idle, obsolete or surplus equipment should not be reported at some other place on your personal property statement.

Category - Check One: <input type="checkbox"/> Idle Equipment <input type="checkbox"/> Obsolete or Surplus Equipment A separate form must be filed for each category checked above.							
Purchased During	Machinery & Equipment	STC* Mult.	Furniture & Fixtures	STC* Mult.	Computers	STC* Mult.	* Total Value
1994							
1993							
1992							
1991							
1990							
1989							
1988							
1987							
1986							
1985							
1984							
1983							
1982							
1981							
Prior							
<b>TOTAL</b>							
Explain the nature of the equipment:							

\* These columns are for the assessor's use.

I, \_\_\_\_\_, hereby attest that, to the best of my knowledge and belief, all of the property listed on this form is idle equipment or obsolete equipment or surplus equipment as those terms are defined in the instructions on the back of this form.

Signature	Date	Title (Please print or type)
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Must be signed by Owner, Partner or Corporate Officer or a duly authorized agent.

## INSTRUCTIONS

Read the following descriptions of idle equipment and obsolete or surplus equipment to determine whether your personal property may qualify to be reported on this form (L-4142).

If you have personal property that qualifies, complete this schedule and file it with your Personal Property Statement. Assets reported as idle, obsolete or surplus equipment **should not** be reported at some other place on your Personal Property Statement.

### **IDLE EQUIPMENT**

Idle equipment is equipment that has been disconnected and is stored in a separate location. This equipment is not part of the existing process, not even on a standby basis.

Standby equipment is **not** idle equipment. Standby equipment is equipment that is not usually in use but is ready and immediately on hand for use when needed, e.g., a standby boiler or standby production machines.

Sometimes equipment, for various reasons, is normally not used throughout the year (e.g., Christmas decorations, construction equipment). This type of equipment does **not** qualify for the idle equipment allowance when it is only seasonally used.

Sometimes, equipment may be "idle-in-place" because storage in a separate location is not feasible.

"Idle-in-place" could be due to the large size of the equipment involved or the fact that it is underground equipment. Proof should be presented to the assessor that equipment is "idle-in-place".

Idle equipment will be reduced by the assessor to half (50%) of the value obtained by applying the normal State Tax Commission personal property multipliers to original acquisition costs.

### **OBsolete OR SURPLUS EQUIPMENT**

Obsolete or surplus equipment is equipment that either:

- requires rebuilding for continued economic use and is in the possession of a machine rebuilding firm on tax day, or
- has been declared as surplus by an owner who is abandoning a process or plant and is being disposed of by means of an advertised sale or through an agent. The sale must be an unconditional sale to any and all prospective purchasers rather than being restricted to other divisions of a company. Equipment that is operating on tax day does **not** qualify for treatment as obsolete or surplus equipment.

Obsolete or surplus equipment will be reduced by the assessor to 25% of the value obtained by applying the normal State Tax Commission personal property multipliers to original acquisition costs.