



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

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DATE: February 28, 2006
TO: Assessors and Equalization Directors
FROM: Kelli Sobel, Executive Secretary State Tax Commission
SUBJECT: Consideration of Idle Equipment Under P.A. 198 of 1974

The State Tax Commission at their December 14, 2005 meeting accepted the Michigan Tax Tribunal decision in Place Machine Corporation v City of West Branch as precedent setting related to idle equipment claimed under P.A. 198 of 1974.

This decision issued March 6, 1989, docket number 83622 indicated in part:

The idle equipment allowance and the Act 198 new facilities certificate are distinct from one another in purpose, yet wholly compatible. The Assessor's manual as the statutorily mandated assessment reference source, MCL 211.10e provides for an idle equipment allowance as a valuation step in the personal property assessment process. The manual makes no referenced distinction between non-IFT and IFT personalty, either of which, if idle, will have a suppressed utility, which, it appears, should be recognized in the assessment process.

The decision goes on to indicate:

The Assessor's Manual procedure for measuring the value of personal property for assessment purposes, including the idle equipment allowance, was in effect prior to the 1974 enactment of Act 198. It must be assumed that, at the time Act 198 was enacted, the legislature was aware of the manner in which personal property assessments and SEVs were computed, using the idle adjustment where applicable. The legislature, in Act 198, provided no exception to the method of valuing IFT property but, rather, specified that the SEV, as commonly developed, be the basis for the industrial facilities tax levy. It must be said to have been intended that the tax benefit of Act 198 be the result of an assessment process which encompasses the idle equipment allowance as a considered part of its computation.