

# ESA Topics: Special Millages and Renaissance Zones



## Renaissance Zones

Qualified New and Qualified Previously Existing Personal Property located within a Renaissance Zone is subject to a reduction in the Essential Services Assessment (ESA) throughout the period in which the Renaissance Zone is in effect. This reduction is 100% during the full exemption period of the Renaissance Zone and is reduced by 25% per year during the three-year phase out prior to expiration of the Renaissance Zone.

The State Essential Services Act (Public Act 92 of 2014) provides the following definition for acquisition cost as it pertains to qualified new and qualified previously existing personal property located within the boundaries of a renaissance zone:

The acquisition cost for personal property exempt under the Michigan renaissance zone act, 1996 PA 376, MCL 125.2681 to 125.2696, is \$0.00 except for the 3 years immediately preceding the expiration of the exemption of that personal property under the Michigan renaissance zone act, 1996 PA 376, MCL 125.2681 to 125.2696, during which period of time the acquisition cost for that personal property means the fair market value of that 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, multiplied by the percentage reduction in the exemption as provided in section 9(3) of the Michigan renaissance zone act, 1996 PA 376, MCL 125.2689.

As a result, the acquisition costs reported in Part 3 of the Combined Document (Form 5278) and the taxpayer's Essential Services Assessment (ESA) statement are subject to the following multipliers, dependent upon the current assessment year and the year in which the renaissance zone expires:

Years remaining	Multiplier
Three or more years preceding the final year of designation as a Renaissance Zone	.00
Two years immediately preceding the final year of designation as a Renaissance Zone	.25
Year immediately preceding the final year of designation as a Renaissance Zone	.50
Final year of designation as a Renaissance Zone	.75

NOTE: this multiplier is determined by the *assessment year* in which the Combined Document (Form 5278) is filed with the local unit in which the personal property is located, not the acquisition year of the eligible manufacturing personal property reported on the Combined Document (Form 5278).

Because this multiplier is utilized by the Department of Treasury to calculate the reduction of acquisition cost of personal property located within a renaissance zone, taxpayers must include the full acquisition cost of the eligible manufacturing personal property on the Combined Document (Form 5278) and their ESA statement. As a reminder, the “acquisition cost” that should be reported to the Department of Treasury is defined as:

[T]he 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.

It is therefore necessary that any taxpayer filing the Combined Document (Form 5278) for EMPP located within a Renaissance Zone report the full acquisition cost - meaning the fair market value of that 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 – in Part 3. The ESA system will calculate the appropriate percentage reduction for that EMPP Property, including a 100% reduction for property not yet in the 3 year phase-out period.

### Sinking Fund Millages

A Sinking Fund Millage authorized under section 1212 of Public Act 451 of 1976, MCL 380.1212, is a tax on both real and personal property within the local school district creating the sinking fund to finance certain capital purchases and updates. Since qualified new and qualified previously existing personal property is exempt from local ad valorem taxes, it follows that sinking fund millage does not apply to that property.

Eligible manufacturing personal property that is not yet qualified new or qualified previously existing personal property, due to its year of acquisition and therefore not yet qualifying for the exemption under MCL 211.9m or MCL 211.9n, is subject to the following millages:

If in a Renaissance Zone	If <u>NOT</u> in a Renaissance Zone	
	Industrial Personal Property	Commercial Personal Property
<u>Only:</u> <ul style="list-style-type: none"> <li>• Voter-approved debt millages</li> <li>• Local school sinking fund</li> <li>• ISD Enhancement mills</li> </ul>	<u>All millages</u> , including sinking fund mills, <u>EXCEPT:</u> <ul style="list-style-type: none"> <li>• Local school operating tax</li> <li>• State education tax</li> </ul>	<u>All millages</u> , including sinking fund mills, <u>EXCEPT:</u> <ul style="list-style-type: none"> <li>• First 12 mills of local school operating tax</li> </ul>

## **Special Assessments**

Special assessments are a common method for townships and cities to raise funds for construction, improvement, and maintenance of public works projects and funding special services. Because they are billed to real property, they have no effect on the EMPP.

For additional ESA information, links to statutes, forms, and to sign up for the ESA Email List, please visit [www.michigan.gov/esa](http://www.michigan.gov/esa).

This information constitutes an interpretation of one or more statutes administered by the Bureau of Local Government and School Services and is not legal advice. As the interpretation reached in these examples are limited to the facts provided, any variation in those facts might result in a different interpretation being reached. Therefore, a taxpayer may wish to consult counsel before proceeding in this matter.