



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

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Essential Services Assessment

TO: Assessors, Equalization Directors and Interested Parties
FROM: State Tax Commission
SUBJECT: MCL 211.1051 thru MCL 211.1061 Essential Services Assessment

Beginning January 1, 2016, the Essential Services Assessment (ESA) is levied on all eligible personal property.

The ESA is a State specific tax on eligible personal property owned by, leased to or in the possession of an eligible claimant on December 31 of the year immediately preceding the assessment year. The specific tax is collected by the State and is calculated as follows:

1. For eligible personal property acquired by the first owner in year 1 to 5 years before the assessment year, multiply the acquisition cost of the eligible personal property by 2.4 mills.
2. For eligible personal property acquired by the first owner in year 6 to 10 years before the assessment year, multiply the acquisition cost of the eligible personal property by 1.25 mills.
3. For eligible personal property acquired by the first owner more than 10 years before the assessment year, multiply the acquisition cost of the eligible personal property by .9 mills.

Although this is a specific tax assessed by and collected by the State of Michigan, assessors need to be aware, at a high level, of the components of the specific tax and the rescission provisions.

A. Definitions

Eligible Personal Property means all of the following:

1. Personal Property exempt under MCL 211.9m or MCL 211.9n.
2. Personal Property exempt under MCL 211.9f (328 Exemption) approved after 2013 unless both of the following conditions are satisfied:

The application for the 328 exemption under MCL 211.9f was filed before August 5, 2014 **and**

The resolution approving the exemption is expected to have total new personal property of over \$25,000,000 within 5 years of the adoption of the resolution by the local assessing district or the next Michigan development corporation.

3. Personal Property subject to an extended industrial facilities exemption certificate under section MCL 207.561a (IFT).
4. Personal Property subject to an extended exemption under MCL 211.9f(8) (328 Exemption).

Acquisition Cost means the 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. There is a rebuttable presumption that the acquisition price paid by the first owner for personal property, and any costs of freight, sales tax, and installation, and other capitalized costs, except capitalized interest, reflect the acquisition cost.

For personal property exempt under MCL 211.9m or MCL 211.9n that would otherwise be exempt under 211.7k (industrial facilities exemption) and for property subject to an extended industrial facilities exemption certificate **effective before January 1, 2013**, acquisition cost means 1/2 of the fair market value of that personal property at the time of acquisition by the first owner.

The acquisition cost for personal property exempt under the renaissance zone act, 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 renaissance zone act, 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 multiplied by the percentage reduction in the exemption as described in MCL 125.2689 (9)(3).

B. Taxpayer Responsibilities

1. Eligible claimants are required to annually file a statement for each parcel of eligible personal property by filing Form 5278 with the assessor of the Township or City where the personal property is located by February 20.
2. If an eligible claimant does not file and/or submit payment in full to the State of Michigan for the ESA specific tax, the State Tax Commission will issue an order to rescind the exemption granted under MCL 211.9m, 211.9n, 211.9f or any extended certificate under MCL 207.561a.
3. Following the rescission, the eligible claimant is required to file a personal property statement with the local unit assessor within 30 days of the order of rescission.
4. Taxpayers are required to maintain adequate books and records after filing Form 5278 claiming the exemption. At a minimum, those records shall include: the location and description, date of purchase, lease or acquisition; the purchase price, lease amount or value of that personal property; the customary industrial use for that personal property; and the asset classification grouping of that personal

property as applied in mass appraisal techniques for assessing purposes until that personal property is no longer eligible for exemption under MCL 211.9m, MCL 211.9n, MCL 211.9f or an extended certificate under MCL 207.561a.

5. Taxpayers shall provide access to their books and records if requested by the local unit assessing officer, County Equalization Department or Department of Treasury for any year in which they claim the exemption under MCL 211.9m, MCL 211.9n, MCL 211.9f or an extended certificate under MCL 207.561a.

C. Assessor Responsibilities

Assessors are required to annually provide a copy of Form 5278 and other parcel information required by the Department of Treasury in a form and manner required by the Department of Treasury no later than April 1 of each year.

Upon issuance of an order of rescission, assessors must remove the exemption from the roll.

The local treasurer must issue a corrected tax bill within 60 days of the date of the order of rescission that must include penalty and interest that are owed due to the rescission.

Assessors are advised that should a taxpayer fail to file a personal property statement within 30 days of the issuance of an order of rescission, the assessor must use the best information available to them in order to estimate the assessment.

An appeal of the assessment made by the assessor is made by filing a petition with the Michigan Tax Tribunal.

D. Appeal Rights

An eligible claimant may appeal an assessment levied, a penalty or rescission to the State Tax Commission by filing a petition (this form will be released at a later date) no later than December 31 in that tax year.

An eligible claimant may appeal an assessment levied as the result of an audit to the State Tax Commission by filing a petition (this form will be released at a later date) within 30 days of the date of the assessment levied as a result of the audit.

The Department of Treasury may appeal to the State Tax Commission by filing a petition for the current calendar year and the three immediately preceding calendar years.

Appeal of a decision of the State Tax Commission is made by filing a petition with the Michigan Tax Tribunal.

E. Alternative State Essential Services Assessment

The Michigan Strategic Fund Board (Fund Board) may adopt a resolution to exempt from the Essential Services Assessment personal property and determine whether that personal property is subject to the Alternative Essential Services Assessment, if at least \$25 million will be invested in additional EMPP in Michigan during the term of the agreement with the Fund Board.

The Fund Board shall consider the following criteria to the extent reasonably applicable to the type of investment proposed when approving an exemption to the assessment:

- (a) Out-of-state competition.
- (b) Net-positive return to this state.
- (c) Level of investment made by the eligible claimant.
- (d) Business diversification.
- (e) Reuse of existing facilities.
- (f) Near-term job creation or significant job retention as a result of the investment made in eligible personal property.
- (g) Strong links to Michigan suppliers.
- (h) Whether the project is in a local unit of government that contains an eligible distressed area as that term is defined in section 11 of the state housing development authority act of 1966, 1966 PA 346, MCL 125.1411.

The Alternative State Essential Services Assessment is calculated as follows:

1. For eligible personal property acquired by the eligible claimant in year 1 to 5 years before the assessment year, multiply the acquisition cost of the eligible personal property by 50% of the mills levied under the ESA (or 1.2 mills).
2. For eligible personal property acquired by the eligible claimant in year 6 to 10 years before the assessment year, multiply the acquisition cost of the eligible personal property by 50% of the mills levied under the ESA (or .625 mills).
3. For eligible personal property acquired by the eligible claimant more than 10 years before the assessment year, multiply the acquisition cost of the eligible personal property by 50% of the mills levied under the ESA (or .450 mills).

Responsibilities as well as appeal rights under the Alternative Essential Services Assessment are the same as under the ESA (see B, C and D above).