

ESA Topics: Industrial Processing



Effective December 31, 2015, for the 2016 assessment year, Qualified New Personal Property and Qualified Previously Existing Personal Property is exempt from taxation. Key to the definition of both Qualified New and Qualified Previously existing Personal Property is that the personal property must be **Eligible Manufacturing Personal Property**.

Eligible Manufacturing Personal Property (EMPP) is defined as all personal property located on *occupied real property* if that personal property is *predominantly used in industrial processing or direct integrated support*. For personal property that is construction in progress and part of a new facility not in operation, EMPP means all personal property that is part of that new facility if that personal property will be *predominantly used in industrial processing* when the facility becomes operational. Personal property that is not owned, leased or used by the person who owns or leases *occupied real property* where the personal property is located is not EMPP unless the personal property is located on the *occupied real property* to carry on a current on-site business activity. Personal property that is placed on *occupied real property* solely to qualify the personal property for an exemption under 9m or 9n is not EMPP.

This ESA topic will focus on what is **Industrial Processing**. Industrial Processing is defined in MCL 211.9M as: *that term as defined in section 4t of the general sales tax act, 1933 PA 167, MCL 205.54t, or section 4o of the use tax act, 1937 PA 94, MCL 205.94o. Industrial processing does not include the generation, transmission, or distribution of electricity for sale.*

MCL 205.54t and MCL 205.94o both contain the same definition of industrial processing and indicates that industrial processing includes the following activities:

- a) Production or assembly.
- b) Research or experimental activities.
- c) Engineering related to industrial processing.
- d) Inspection, quality control, or testing to determine whether particular units of materials or products or processes conform to specified parameters at any time before materials or products first come to rest in finished goods inventory storage.
- e) Planning, scheduling, supervision, or control of production or other exempt activities.
- f) Design, construction, or maintenance of production or other exempt machinery, equipment, and tooling.
- g) Remanufacturing.

- h) Processing of production scrap and waste up to the point it is stored for removal from the plant of origin.
- i) Recycling of used materials for ultimate sale at retail or reuse.
- j) Production material handling.
- k) Storage of in-process materials.

For a more detailed definition of industrial processing and exclusions please review:

RAB 2000-4: http://www.michigan.gov/documents/rab-2000-4_108793_7.pdf and

MCL 205.54t:

[http://www.legislature.mi.gov/\(S\(l2ybk4njhsrfjyuikfljxyc\)\)/documents/mcl/pdf/mcl-205-54t.pdf](http://www.legislature.mi.gov/(S(l2ybk4njhsrfjyuikfljxyc))/documents/mcl/pdf/mcl-205-54t.pdf)

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