Week of September 14, 2009
Topic: Classification Appeals

Dear SABby,

Due to the audit performed and the guidance issued this year by the State Tax Commission, I submitted a personal property classification appeal to the Commission by the June 30 deadline. The appeal was for a mechanics repair shop leasing space located in an industrial park. I requested that the class be changed from industrial to commercial. In an effort to make sure that I am correctly classifying property in my local unit, can you explain in a little more detail why the personal property of a company located in an industrial zoned area would not be classified as industrial? Also, if the Commission approves the change in classification for this company, is it effective for the 2009 or 2010 year? And, if the change is effective for the 2009 year, how do I correct the classification now that the assessment roll is finalized?

Signed,
Classified N' Confused

Dear Ms. Confused:

Superb and timely questions! First and foremost, zoning has nothing to do with the classification of property. Zoning is a tool used by local units of government for planning and development purposes not by assessors for determining classification. For the company in question, the proper classification for its personal property is found under MCL 211.34c and was further clarified in memorandum issued by the Commission last year which stated that the classification of personal property is not based only on the class of the real property but on the activity occurring on the property.

This means that the mechanics repair company you referred to might very well be located in your city or township's industrial park and also located on a industrial real parcel but the company is clearly performing a commercial repair service to their customers not an industrial manufacturing or processing activity. Thus, the proper personal property classification for this repair shop is commercial - regardless of the zoning or the class of the real property.

If the Commission approves the change in classification from industrial to commercial it is effective for the 2009 year. The change will be made to the tax roll not the assessment roll which has already been finalized. Making the correction to the tax roll will allow you the ability to re-bill or refund the company, whichever is appropriate based on the change in class that is made. In 2010, the change in class will be shown on the assessment roll as a loss and new.

Thanks for being so diligent in properly classifying the property in your local unit and for your excellent questions. Keep up the great assessing work!

Sincerely,
SABby