State Tax Commission Personal Property Account Number Additional Guidance

The State Tax Commission has received a number of inquiries relating to its October 13, 2014 request that assessing officers review their personal property accounts and ensure that each physical location has a separate personal property account number. This request was made in anticipation of the Eligible Manufacturing Personal Property Exemption which begins with the 2016 assessment year. MCL 211.9n and MCL 211.9n provide that the determination of exempt or taxable status of personal property is based on its use as a physical location. The exemption statute provides that either all of the personal property on "occupied real property" or none of the personal property at a location will qualify for exemption. The ownership of the personal property at a given parcel of "occupied real property" is not considered in determining each taxpayer's eligibility for the exemption. The State Tax Commission's request merely envisions the separation of personal property accounts into separate parcels in those cases where the taxpayer is a physical occupant of multiple locations, not where the taxpayer merely has personal property present at multiple locations. Although some or all of the personal property of leasing companies, waste management companies, postage meter companies, vending machine companies and credit card reader providers may be exempt, depending on where the personal property is located, the assessor is not required to establish a separate parcel for each location where such taxpayers have personal property.

Determining the eligibility of a location for exemption can be a complicated task and unless a separate parcel is established for each location, it will not be possible to determine which locations will qualify as "occupied real property" for purposes of the Eligible Manufacturing Personal Property Exemption.

Further, the need to establish a separate parcel for each location is not based on the property classification of the location, or the classification of the taxpayer's personal property. For 2015, the State Tax Commission asks assessors to establish a separate personal property parcel for each location of each taxpayer that has an active physical presence in the assessment jurisdiction, regardless of classification. Since the formula for determining qualification of the location for the Eligible Manufacturing Personal Property exemption is different than the formula used to determine classification, it is possible for a location which is classified as industrial to be disqualified as "occupied real property" or for a location classified as commercial to be qualified for purposes of receiving the exemption.

For purposes of the Eligible Manufacturing Personal Property exemption, personal property is exempt if it is located on "occupied real property" and predominantly used in industrial processing or direct integrated support. "Occupied real property" is:

- A parcel of real property that is entirely owned, leased, or otherwise occupied by a person claiming an exemption under MCL 211.9m.

- Contiguous parcels of real property that are entirely owned, leased, or otherwise occupied by a person claiming an exemption under MCL 211.9m and that host a single, integrated business operation engaged primarily in industrial processing, direct integrated support, or both. A business operation is not engaged primarily in industrial processing, direct integrated support, or both if it engages in significant business activities that are not directly related to industrial processing or direct integrated support.

- The portion of a parcel of real property that is owned, leased, or otherwise occupied by a person claiming the exemption or by an affiliated person.

October 21, 2014