



Personal Property Tax for Michigan Manufacturers 2016 Brings Significant Changes

Personal Property Tax for qualified Michigan manufacturers is changing significantly. Recall that Michigan voters passed the 2014 Proposal 1 on August 5, 2014. This very positive change in Personal Property Tax for manufacturers is set to begin January 1, 2016.

According to the Michigan Manufacturers Association, eligible manufacturers under the new law will receive a reduction in tax of approximately 83 percent. To qualify under the new law, manufacturers will need to file for exemption on the new Form 5278 by February 22, 2016, **and** pay the new Essential Services Assessment (ESA) by August 15, 2016.

The determination of ESA is based on the property identified on Form 5278. A manufacturer must have Eligible Manufacturing Personal Property (EMPP) to qualify for the exemption. Form 5278 will not be mailed to manufacturers. Access Form 5278 on the State of Michigan website, www.michigan.gov/esa, or access it here: [Form 5278](#).

Nearly all taxpayers with EMPP will pay personal property tax **and** the Essential Services Assessment through a seven-year transition period. Qualified manufacturers with current PA 198 tax exemptions (i.e., IFT/IFE), PA 328 tax exemptions, or Renaissance Zone benefits have specific extension and termination requirements. Please consult your tax preparer with specific questions.

The following information provides an overview of the new taxing requirements. The new process is distinctly different and manufacturers are encouraged to speak with their tax professional to be assured they are doing all that is required for them to gain the benefit provided by the new law.

Generally, the following process may be followed:

- Determine if the total true cash value of personal property residing in any given taxing jurisdiction is **under \$80,000** on December 31, 2015. If the total personal property is under this amount, file Form 5076 with your local assessor no later than February 10, 2016. This small business tax exemption has been in place since 2013.
- If the manufacturer has **\$80,000 or more** of personal property in Michigan, the manufacturer may be eligible to claim a personal property exemption by filing Form 5278. This form must be received by the local assessor no later than February 22, 2016. It must be completed in its entirety or the exemption claim will be denied. Form 5278 will not be mailed to taxpayers; manufacturers will need to access the form at www.michigan.gov/esa.
- File the annual ESA statement and manufacturers **must** pay the tax through Michigan Treasury Online (MTO) by August 15, 2016. Other electronic filing options may be available, but no paper forms will be mailed to taxpayers. All tax must be paid electronically.

We encourage you to discuss your particular tax situation with your tax preparer, CPA or tax attorney.

Authors

Tara L. Stensrud, CPA, senior manager, is a member of Yeo & Yeo's Manufacturing Services Group and Tax Services Group.

www.yeoandyeo.com

Donald C. Schurr is president of Greater Gratiot Development, Inc., a countywide clearinghouse for assistance in business retention and expansion, with a focus on manufacturing.

www.gratiot.org

