



**Echelbarger, Himebaugh, Tamm & Co., P.C.**  
**STATE AND LOCAL TAX NEWSLETTER**

*Business Strategists & Certified Public Accountants*

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## What You Must Do Now To Qualify For the MBT Personal Property Tax Credit

**GRAND RAPIDS, MI – Monday, February 11, 2008 –** The MBT provides a substantial credit for personal property taxes paid. However, the credit is limited and certain statutory requirements must be satisfied. First, the property must be classified "industrial." Second, a personal property statement must be filed on or before February 20<sup>th</sup>. Third, the personal property taxes must be paid in the tax year.

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A Single Business Tax (SBT) credit equal to 15% of personal property taxes paid on property classified as "industrial" has been available for tax years beginning on and after January 1, 2006. [MCL 208.35d] A Michigan Business Tax (MBT) credit equal to 35% of personal property taxes paid on property classified as "industrial" is available for tax years beginning on and after January 1, 2008. [MCL 208 1413] In addition, telephone property and natural gas pipe line property also qualify for the credit.

Public Act 37 of 2007 and Public Act 38 of 2007 exempted property classified as "commercial" from 12 of the 18 school operating mills. Property classified as "industrial" is exempt from all 18 school operating mills and the 6 mill state education tax.

To claim the credit, the personal property taxpayer must timely file a Personal Property Statement with the assessor and pay the personal property tax in the year the credit is claimed. Proof of payment must be made available if requested.

### Problem Areas

Since discussions of the repeal of the personal property tax started, assessors have been busy reviewing and changing property classifications. In the past, the only use or purpose for property classifications was for equalization purposes. Now, the classification of property is important in determining the amount of exemption and if a MBT credit is available. Many parcels have been reclassified from "industrial" to "commercial." Also, many parcels have, in the past, been misclassified as "commercial" when they should have been classified as "industrial."

The Department of Treasury (Treasury) is disallowing a SBT credit on property classified as "commercial," even if in error. They rely exclusively on the assessor's classification.

Treasury is disallowing the credit if the Personal Property Statement is filed after February 20<sup>th</sup>.

Treasury is disallowing the credit if the taxpayer cannot provide proof that the tax was paid in the tax year claimed.

The State Tax Commission has stated that all personal property of a leasing company is classified as "commercial." This may not always be true.

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### **What the Taxpayer Must Do**

First, file the Personal Property Statement on or before February 20 and retain proof of the date filed.

Second, look for the "Notice of Assessment" mailed by the assessor to every personal property taxpayer. In addition to a review of the assessable amount, also review the property classification.

Third, if either the assessable amount or the classification is wrong, contact the assessor and request changes be made.

Fourth, if the assessor will not make the requested changes, then appeal to the March Board of Review.

Fifth, if the Board of Review does not make the changes, appeal to the State Tax Commission in writing no later than June 30th. Treasury is disallowing the credit if the Personal Property Statement is filed after February 20<sup>th</sup>.

If you have questions please feel free to contact me. I would be happy to be of assistance.

Sincerely,

Ed Kisscorni, CPA/MBA



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