

Frequently Asked Questions
New Personal Property Exemption
(PA 328 of 1998, as amended)

The following frequently asked questions are being provided as a service for assessors and taxpayers to better inform them about the administration of Public Act 328 of 1998, as amended.

Note: The information contained in these frequently asked questions constitutes an analysis of one or more statutes and not legal advice. Since the analysis is limited to general statutory requirements, individual facts may result in different conclusions being reached. Therefore, individuals may wish to consult legal counsel.

1. What is a New Personal Property Tax Exemption?

The New Personal Property Tax Exemption, Public Act 328 of 1998, as amended, was created to provide a tax reduction to eligible businesses bringing new business or more business to the State of Michigan. Types of eligible businesses are those primarily engaged in manufacturing, mining, research and development, wholesale trade or office operations. For purposes of a next Michigan development corporation, eligible business means only an eligible Next Michigan business. In order to qualify for the exemption, the qualified personal property must be placed in an “eligible district” after the local governmental unit adopts the resolution which provides for the exemption. Property placed in the district prior to the resolution will not receive the exemption. Also, the “eligible district” must be established before the exemption can be approved by the local governmental unit’s resolution. Completed applications are first submitted to the local governmental unit (i.e. city, township or village) for approval. If the local government approves the application, they then forward it to the Department of Treasury for review. The State Tax Commission then must determine that the new personal property subject to the exemption is owned or leased by an eligible business and that the eligible business is located in one or more eligible districts. Once the State Tax Commission acts on an application, the State Treasurer, with the written concurrence of the Michigan strategic fund, shall approve the resolution passed by the local governmental unit if they determine that exempting new personal property of the eligible business is necessary to reduce unemployment, promote economic growth, and increase capital investment in Michigan.

2. Who can file an application for a New Personal Property Tax Exemption?

The application for a new personal property tax exemption is filed by an owner or lessee of an eligible business with the clerk of the local governmental unit. It is important to note, that after December 31, 2014, new personal property does not include Eligible Manufacturing Personal Property (EMPP). Claimants with personal property that meets the definition of “eligible manufacturing personal property” are not eligible for a New Personal Property Exemption pursuant to MCL 211.9f.

3. How do I apply for a New Personal Property Tax Exemption?

An application for the New Personal Property Tax Exemption can be found at the Michigan Department of Treasury website: www.michigan.gov/propertytaxexemptions.

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Application is made by the owner or lessee of the facility seeking the exemption and filed with the local governmental unit. After a resolution approving the exemption has been adopted, the applications are sent to the Department of Treasury. Complete applications must meet all of the following requirements:

- a. The personal property must be new personal property that was not previously subject to tax under the General Property Tax Act. The following are examples of personal property that was not previously subject to tax under the General Property Tax Act:
 - i. New (versus used) personal property that was not subject to the personal property tax before because it did not exist as of a prior tax day.
 - ii. Used personal property that was not subject to personal property tax before because it was owned by the State of Michigan that has been sold to an Eligible Business.
 - iii. Used personal property that was not subject to personal property tax before because it was previously located in a state other than Michigan.

- b. The personal property must be located in an eligible local assessing district, a city, township or village that contains an eligible distressed area or that is party to an intergovernmental agreement creating a next Michigan development corporation, or a city, township or village that meets the following conditions and is located in a county, all or a portion of which, borders another state or Canada:
 - i. Is currently served by not fewer than 4 of the following existing services:
 - 1) Water
 - 2) Sewer
 - 3) Police
 - 4) Fire
 - 5) Trash
 - 6) Recycling

- c. The local assessing district must enter into a written agreement with the eligible business subject to the exemption that includes the following statements:
 - (A) The exemption is revoked if the eligible business is determined to be in violation of the provisions of the written agreement.
 - (B) The eligible business may be required to repay all or part of the personal property taxes exempted under this section if the eligible business is determined to be in violation of the provisions of the written agreement.

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- (C) The exemption is revoked if the eligible business is determined to be in violation of the provisions concerning the exemption set forth in the resolution adopted by the local assessing district.
 - (D) The exemption is revoked if continuance of the exemption would be contrary to any of the requirements of MCL 211.9f.
- d. Prior to acting on a resolution for exemption, the clerk of the eligible local assessing district must notify the assessor and the legislative body of each taxing unit that levies ad valorem taxes in the eligible local assessing district. The assessor and a representative of the affected taxing units shall be afforded an opportunity for a hearing before the governing body of the eligible local assessing district.
 - e. The local assessing district must adopt a resolution that provides for the exemption.
 - f. The new personal property must be owned or leased by an eligible business.
 - g. The new personal property and the eligible business must be located in an eligible district.
 - h. The personal property must be placed into service after the local assessing district adopts the resolution.

The following are documents that must accompany all applications:

- a. Legal description for the property where the business is located.
- b. Detailed description of the business activities.
- c. Resolution approving the personal property exemption. A sample resolution can be found at www.michigan.gov/propertytaxexemptions.
- d. Written agreement entered into by the eligible business subject to the exemption and the local assessing district.

4. What is the deadline for filing an application for a New Personal Property Tax Exemption? What happens if the application is filed after the October 31st deadline?

In order for an application to be considered and approved in the year in which the application is filed, all applications must be submitted by the local unit to the State Tax Commission before October 31st. Applications submitted after the deadline will be processed based on staff availability.

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5. Who determines whether a facility qualifies for a New Personal Property Tax Exemption?

The local governmental unit and the State Tax Commission are responsible for determining whether a particular business is an “eligible business.”

6. Can an application for a New Personal Property Tax Exemption Certificate be denied?

Yes. An application can be denied at the local governmental unit or by the State Treasurer if all of the requirements are not met by the applicant.

7. Can a decision of the State Tax Commission or the State Treasurer regarding a New Personal Property Tax Exemption Certificate be appealed?

Yes. A party aggrieved by the issuance, refusal to issue, revocation, transfer or modification of the exemption may appeal a final decision by filing a petition with the Michigan Tax Tribunal, www.michigan.gov/taxtrib, within 35 days. MCL 205.735a (6).

8. What is the term of a New Personal Property Tax Exemption?

The term limit is established by the local governmental unit and is included in the resolution approving the exemption. There is no statutory limitation to the length of term for the exemption.

9. How does the Eligible Manufacturing Personal Property Exemption affect New Personal Property Tax Exemptions?

EMPP that was subject to a New Personal Property Tax Exemption on or after December 31, 2012 but before December 31, 2014, shall remain exempt until whichever of the following is later:

1. The personal property is exempt under MCL 211.9m, 9n or 9o
2. The New Personal Property Tax exemption expires.

Please note, an extension of the New Personal Property Tax Exemption Certificate until the personal property is exempt under MCL 211.9m, 9n or 9o does not allow for the continued addition of new personal property to the New Personal Property Tax Exemption.

10. What determines the starting date of a New Personal Property Tax Exemption?

The date of the resolution approving the exemption is the starting date. Any personal property placed in the eligible district on or after the resolution date is covered under the exemption.

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11. How will I be notified whether the New Personal Property Tax Exemption was granted or not?

The Department of Treasury will email the State Treasurer's letter to the eligible business, eligible assessing district clerk and assessor when the application has been approved. The letter will list the certificate number assigned to that specifically approved application, and will verify the status and term of the exemption.

12. How is the tax computed for a New Personal Property Tax Exemption?

There are no taxes on property covered under this act. This is a 100% tax exemption.

13. What happens when an incomplete application for a New Personal Property Tax Exemption is received?

If an application is incomplete or missing required elements when submitted, the company and/or the local governmental unit will be contacted and additional information will be requested.

14. I have a New Personal Property Tax Exemption in place and I purchase new equipment to replace old, outdated equipment. Is this new equipment covered under the existing exemption?

Yes. Any new personal property placed into service after the local assessing district adopts the resolution and prior to January 1st of the last year of the exemption is covered by the existing exemption until its expiration.

15. Can a New Personal Property Tax Exemption be transferred to a new owner?

Yes. If an existing eligible business sells or leases new personal property exempt under an exemption to an acquiring eligible business, the exemption granted to the existing eligible business shall continue in effect for an acquiring eligible business only if the continuation of the exemption is approved in a resolution adopted by the governing body of the local governmental unit.

16. Can a New Personal Property Tax Exemption Certificate be revoked?

For an exemption granted after December 31, 2016, a New Personal Property Tax Exemption Certificate can be revoked if the eligible business is determined to be in violation of the written agreement, in violation of the resolution passed by the local unit, or if continuance of the exemption would be contrary to the requirements of MCL 211.9f.

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17. What is the definition of “distressed parcel”?

A distressed parcel means a parcel of real property located in a city or village that meets the following conditions:

- a. Is located in a qualified Downtown Revitalization District, which is an area located within one or more of the following:
 1. The boundaries of a Downtown District as defined in the Downtown Development Authority Act, 1975 PA 197, MCL 125.1651.
 2. The boundaries of a Principal Shopping District or a Business Improvement District as defined in the Principal Shopping Districts and Business Improvement Districts Act, 1961 PA 120, MCL 125.981.
 3. The boundaries of the local governmental unit in an area that is zoned and primarily used for business as determined by the local governmental unit.
- b. Meets one of the following conditions:
 1. Has a blighted or functionally obsolete building located on the parcel. “Blighted” and “functionally obsolete” are defined in section 2 of the Brownfield Redevelopment Financing Act, 1996 PA 381, MCL 125.2652.
 2. Is a vacant parcel that had been previously occupied.
- c. Is zoned to allow for mixed use.

18. What is the definition of an “Eligible Business”?

Effective August 7, 1998, MCL 211.9f defines an Eligible Business as a business engaged primarily in manufacturing, mining, research and development, wholesale trade, or office operations. For purposes of a next Michigan development corporation, eligible business means only an eligible next Michigan business. Eligible business does not include a casino, retail establishment, professional sports stadium, or that portion of an eligible business used exclusively for retail sales. “Casino” means a casino regulated by this state pursuant to the Michigan Gaming Control and Revenue Act, Initiated Law 1 of 1996, MCL 432.201 to 432.226, and all property associated or affiliated with the operation of a casino, including, but not limited to, a parking lot, hotel, motel, or retail store.

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19. What is the definition of “Eligible District”?

“Eligible district” means 1 or more of the following:

- I. An Industrial Development District as defined in Plant Rehabilitation and Industrial Development Act, 1974 PA 198, MCL 207.551 to 207.572.
- II. A Renaissance Zone as defined in the Michigan Renaissance Zone Act, 1996 PA 376, MCL 125.2681 to 125.2696.
- III. An Enterprise Zone as defined in the Enterprise Zone Act, 1985 PA 224, MCL 125.2101 to 125.2123.
- IV. A Brownfield Redevelopment Zone as designated under the Brownfield Redevelopment Financing Act, 1996 PA 381, MCL 125.2651 to 125.2672.
- V. An Empowerment Zone as designated under Subchapter U of Chapter 1 of the Internal Revenue Code of 1986, 26 USC 1391 to 1397F.
- VI. An Authority District or a Development Area as defined in the Tax Increment Finance Authority Act, 1980 PA 450, MCL 125.1801 to 125.1830.
- VII. An Authority District as defined in the Local Development Financing Act, 1986 PA 281, MCL 125.2151 to 125.2174.
- VIII. A Downtown District or a Development Area as defined in the Downtown Development Authority Act, 1975 PA 197, MCL 125.1651 to 125.1681.
- IX. A Next Michigan Development District.

20. What is the definition of “Eligible Local Assessing District”?

An “eligible local assessing district” means a city, village, or township that contains an eligible distressed area that is party to an intergovernmental agreement creating a next Michigan development corporation, or a city, village or township that meets the following conditions and is located in a county, all or a portion of which, borders another state or Canada:

- i. Is currently served by not fewer than four (4) of the following existing services:
 - 1) Water
 - 2) Sewer
 - 3) Police
 - 4) Fire

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- 5) Trash
- 6) Recycling

21. Where can I obtain copies of previously issued New Personal Property Exemption Certificates?

Copies of certificates acted upon by the State Tax Commission after January 1, 2013 are available on the Department of Treasury website at: www.michigan.gov/propertytaxexemptions. Choose the exemption program under which the certificate was issued. Within the “Certificate Activity” link, the certificates are listed according to the date they were acted upon.