

## **INTERNAL POLICY DIRECTIVE 2006-5**

**August 15, 2006**

### **SINGLE BUSINESS TAX (SBT)**

#### **AMENDMENT TO THE SINGLE BUSINESS TAX ACT ADDING § 35d INDUSTRIAL PERSONAL PROPERTY TAX CREDIT**

This Internal Policy Directive (IPD) is intended to provide guidance for the administration of the new credit against the SBT equal to 15% of tax paid on industrial personal property in a tax year beginning in 2006.

#### **POLICY ISSUES**

1. When is a property tax “levied”?
2. When are the Industrial Facility Tax, the Obsolete Properties Tax, and other payments included in the definition of “property taxes” in § 35d levied?
3. What is the “time required” within which a taxpayer must file the Statement of Personal Property to qualify for the credit provided by § 35d?

#### **POLICY DETERMINATIONS**

1. The “levy date” is the day on which a general property tax becomes due and payable. That is July 1 and December 1. A general property tax becomes a lien on the subject property as of July 1 and December 1, even though payment of the tax is permitted at a later date.
2. The Industrial Facility Tax, Obsolete Properties Tax, and the other two (2) taxpayer payments included in the definition of “property taxes” in § 35d are levied pursuant to the same procedure and dates for collection of the ad valorem property tax contained in the General Property Tax Act, 1893 PA 206 (Act 206), which are July 1 and December 1.
3. The “time required” by Act 206 within which a taxpayer must file the Statement of Personal Property (Statement) is February 20 of each year. Failure to file the Statement by this deadline disqualifies the taxpayer for the credit provided by § 35d. The Statement filed on or before February 20, 2006 relates to property taxes that will be levied on industrial personal property on July 1, 2006 and December 1, 2006.

#### **DISCUSSION**

The amendment to the Single Business Tax Act (SBTA) adding § 208.35d provides a refundable credit against the SBT for tax years beginning on or after January 1, 2006 and before January 1, 2007, equal to 15% of the property taxes paid, in the tax year, on industrial personal property. The credit is available only, “for taxes levied after December 31, 2005.”

A person not required to file an SBT return may claim this credit.

As the new § 35d does not define “tax year,” the definition supplied by § 208.10(1) of the SBTA applies. Thus, the phrase “property taxes paid in the tax year” means payment by December 31, 2006 for calendar year taxpayers, and by fiscal year end for fiscal year taxpayers.

Act 206 instructs that the levy date is the day on which a general property tax becomes due and payable, and a lien on the subject property. Even though payment of the tax is permitted at a later date, the property tax becomes a lien on the subject property on July 1, the summer tax levy date, and on December 1, the annual tax levy date. Thus, if a taxpayer receives a property tax bill in December 2005, payable in 2006, that amount is not "levied after December 31, 2005" and would not qualify for the § 35d property tax credit.

The new § 35d includes the Industrial Facility Tax, the Obsolete Properties Tax, and two (2) other types of taxpayer payments in the definition of "property taxes" upon which the credit is based. These taxes and payments are imposed in lieu of the ad valorem property tax but are imposed pursuant to the same procedure for the collection of the ad valorem property tax contained in Act 206.

Thus, the Industrial Facility Tax and Obsolete Properties Tax, which are to be paid at the same times, in the same installments, and to the same officer or officers as taxes imposed under Act 206, are levied on July 1 and December 1. The other two (2) types of payments specified in § 35d, which are those made to the Michigan Strategic Fund in connection with the creation of a Renaissance Zone; and payments made per a contract with an eligible local assessing district, "are made by the taxpayer to reimburse all taxing units for property taxes" and are also levied on July 1 and December 1.

Act 206 at § 211.34c(3)(c) prescribes that industrial personal property includes all machinery and equipment, furniture and fixtures, dies on industrial parcels, inventories not exempt by law, and personal property of mining companies valued by the state geologist.

Section 35d directs that to qualify for the credit a taxpayer, "shall file within the time required the statement of personal property described in section 19 of [Act 206]." The deadline by which the taxpayer must file the Statement to qualify for the credit under § 208.35d of the SBTA is February 20. The Statement filed on or before February 20, 2006 relates to property taxes that will be levied on industrial personal property on July 1, 2006 and December 1, 2006.