

Explanation of the Eligible Manufacturing Personal Property Exemption

The personal property tax exemptions recently approved by the voters in 2014 do not provide for the immediate elimination of all business personal property tax. Beginning in **2016**, “Eligible Manufacturing Personal Property” begins to phase out according to the following schedule:

2016 Tax Year (Year ended 12/31/2015)		2017 Tax Year (Year ended 12/31/2016)		2018 Tax Year (Year ended 12/31/2017)		2019 Tax Year (Year ended 12/31/2018)	
2006 - 2012 assets are still reported & taxable		2007 - 2012 assets are still reported & taxable		2008 - 2012 assets are still reported & taxable		2009 - 2012 assets are still reported & taxable	
Year Acquired	Status	Year Acquired	Status	Year Acquired	Status	Year Acquired	Status
2015	Exempt	2016	Exempt	2017	Exempt	2018	Exempt
2014	Exempt	2015	Exempt	2016	Exempt	2017	Exempt
2013	Exempt	2014	Exempt	2015	Exempt	2016	Exempt
2012	Taxable	2013	Exempt	2014	Exempt	2015	Exempt
2011	Taxable	2012	Taxable	2013	Exempt	2014	Exempt
2010	Taxable	2011	Taxable	2012	Taxable	2013	Exempt
2009	Taxable	2010	Taxable	2011	Taxable	2012	Taxable
2008	Taxable	2009	Taxable	2010	Taxable	2011	Taxable
2007	Taxable	2008	Taxable	2009	Taxable	2010	Taxable
2006	Taxable	2007	Taxable	2008	Taxable	2009	Taxable
2005 & Prior	Exempt	2006 & Prior	Exempt	2007 & Prior	Exempt	2008 & Prior	Exempt

2020 Tax Year (Year ended 12/31/2019)		2021 Tax Year (Year ended 12/31/2020)		2022 Tax Year (Year ended 12/31/2021)		2023 Tax Year (Year ended 12/31/2022)	
2010 - 2012 assets are still reported & taxable		2011 - 2012 assets are still reported & taxable		2012 assets are still reported & taxable		All Eligible Manufacturing Assets are Exempt	
Year Acquired	Status	Year Acquired	Status	Year Acquired	Status	Year Acquired	Status
2019	Exempt	2020	Exempt	2021	Exempt	2022	Exempt
2018	Exempt	2019	Exempt	2020	Exempt	2021	Exempt
2017	Exempt	2018	Exempt	2019	Exempt	2020	Exempt
2016	Exempt	2017	Exempt	2018	Exempt	2019	Exempt
2015	Exempt	2016	Exempt	2017	Exempt	2018	Exempt
2014	Exempt	2015	Exempt	2016	Exempt	2017	Exempt
2013	Exempt	2014	Exempt	2015	Exempt	2016	Exempt
2012	Taxable	2013	Exempt	2014	Exempt	2015	Exempt
2011	Taxable	2012	Taxable	2013	Exempt	2014	Exempt
2010	Taxable	2011	Taxable	2012	Taxable	2013	Exempt
2009 & Prior	Exempt	2010 & Prior	Exempt	2011 & Prior	Exempt	2012 & Prior	Exempt

“Eligible Manufacturing Personal Property” is defined as all commercial or industrial personal property located on Occupied Real Property if that personal property is **used more than 50% in industrial processing or direct integrated support**. Notice that for purposes of the exemption for “Eligible Manufacturing Personal Property,” either all of the personal property located on “Occupied Real Property,” or none of the personal property located on “Occupied Real Property,” is exempt. **The determination of whether the use is more than 50% in “Industrial Processing” or “Direct Integrated Support” is based on a formula that compares the cost new of the personal property used in “Industrial Processing” or “Direct Integrated Support” with the cost new of ALL of the personal property at the site. If that proportion is greater than 50%, then all the personal property located on that occupied real property is exempt. Personal property at locations where the “greater than 50% use” test is not met will continue to be assessed, and owners must file a Personal Property Statement. (Unless it is “Eligible Personal Property” subject to the “Small Taxpayer Exemption”).**

The current definitions of "Industrial Processing," "Direct Integrated Support," and "Occupied Real Property" stated in summary fashion, are as follows:

"Industrial processing" is the activity of converting or conditioning a product by changing the form, composition, quality, combination, or character of the property for ultimate sale at retail and begins when tangible personal property begins movement from raw materials storage to begin industrial processing and ends when finished goods first come to rest in finished goods inventory storage.

"Direct integrated support" activities in furtherance of industrial processing which are:

- Research and development.
- Testing and quality control functions.
- Engineering related to goods produced in industrial processing.
- Receiving or storing of equipment, materials, supplies, parts, components or of scrap materials or waste.
- Storing of finished goods inventory.
- Sorting, distributing, or sequencing functions that optimize transportation and just-in-time inventory management.

“Occupied Real Property” means real property that is owned, leased, or otherwise occupied by a person claiming the exemption or by an affiliated person, and can be part of a parcel of real property; a single parcel of real property; or contiguous parcels of real property that host a single, integrated business operation engaged primarily in industrial processing, direct integrated support, or both.

These descriptions of "Industrial Processing" and "Direct Integrated Support" personal property are merely summarized. The exact definitions can be found in MCL 211.9m.

Industrial Facilities Tax (IFT) personal property which is subject to specific taxation that also meets the definition of “eligible manufacturing personal property,” will remain subject to the specific tax until the “Eligible Personal Property” or “Eligible Manufacturing Personal Property” exemption applies. This provision may allow the IFT exemption to continue beyond its normal expiration date.

For personal property that is exempt under MCL 211.9f (PA 328) that also meets the definition of “Eligible Manufacturing Personal Property,” the PA 328 exemption will remain in effect for either the term of the PA 328 exemption, or the year the property becomes eligible for an “Eligible Manufacturing Personal Property” exemption, whichever is later.

A link to Treasury Form 5278: [“Affidavit and Statement for Eligible Manufacturing Personal Property and Essential Services Assessment”](#) is available [here](#). If you have further questions or concerns please feel free to send an e-mail GrAssessorPP@grcity.us or call (616)456-3153 or (616)456-3007.