



State & Local Tax Alert

Provided by the National Tax Office

Michigan personal property taxes: Changes for 2019

Small business taxpayer exemption filing frequency

Michigan Public Act 132 of 2018 (PA 132) was signed into law on May 3, 2018, and provided changes to the annual filing requirements for the small business taxpayer exemption available to taxpayers with a combined true cash value of all industrial and commercial personal property of less than \$80,000.

Under PA 132, taxpayers wishing to claim the small business taxpayer exemption must file a 2019 Form 5076 by Feb. 20, 2019, to be eligible for the exemption, and once the exemption is granted for 2019, the exemption will automatically apply to future years until the taxpayer becomes no longer eligible for the exemption by exceeding \$80,000 in true cash value.

Prior to this legislation, taxpayers wishing to claim exemption for eligible personal property under the small business taxpayer exemption were required to file Form 5076 with the applicable taxing jurisdiction on an annual basis. PA 132 removes this annual filing requirement as long as the combined true cash value of all industrial and commercial personal property remains less than \$80,000. Once ineligible, the taxpayer must file a recession form and applicable personal property tax statement no later than February 20 of the year that the property is no longer eligible. Failure to complete these steps will result in significant penalties and interest.

Taxpayers should keep in mind that this exemption will apply only to property owned by the entity filing the form. If personal property is leased to or is used by an entity other than the property's owner, the owner of the personal property must file the exemption form for that property, not the lessee or user. In addition, taxpayers should be aware that failure to complete the exemption form in its entirety, including all required contact information, may result in denial of the exemption.

Essential Services Assessment filing and payment dates

Michigan Public Acts 541 and 505 of 2018 were signed into law on Dec. 27, 2018. These pieces of legislation established changes to filing and payment dates for the Essential Services Assessment (ESA) for assessment years starting in 2019.

Certification and payment of the ESA is due on or before August 15 of the assessment year in which the exemption is being claimed. Prior to the 2019 assessment year, the eligible manufacturing personal property exemption was rescinded by the Department of Treasury if the ESA, including any late payment penalty, wasn't certified and paid in full by October 15 of the assessment year in which the exemption was being claimed.

Under the new laws, the late payment date to avoid recession action has been changed from October 15 of the assessment year to April 15 of the year subsequent to the assessment year. If this payment isn't received by April 15, the Department of Treasury will rescind the Eligible Manufacturing Personal Property Exemption (EMPP). If a taxpayer wishes to appeal an assessment, penalty, or recession of exemption, the deadline for appeal to the Michigan Tax Tribunal has been extended to December 31 of the year subsequent to the assessment year. These acts don't make changes to the deadline to annually file the EMPP exemption (Form 5278) with the applicable local governmental units. This deadline remains as February 20. Additionally, the original payment due date to avoid penalty remains August 15 of the assessment year.

Public Acts 541 and 505 also increase the late payment penalty of an ESA statement that's not fully paid by August 15. The penalty has been increased to 3 percent of unpaid liability per month or part of a month, with a maximum of 27 percent. This penalty is not prorated based on the day of the month that the late payment is received by the state.

If you have any questions, please contact:

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