



# Personal Property Tax Reform Update

**Michigan School Business Officials  
Conference  
May 4, 2017**

# Personal Property Tax Legislation

- In 2012, legislation was passed providing personal property exemptions for small taxpayers and Eligible Manufacturing Personal Property. Laws were revised in 2013, 2014 and 2015.
- Reimbursement is provided through share of 6% Use Tax levied by Local Community Stabilization Authority.
- August 2014 voter approval of Proposal 1 allowed laws to take effect.

# 2014 Small Taxpayer Personal Property Exemption

- To be eligible for the exemption, all property used by a claimant or a related party in a city or township must have a true cash value under \$80,000, including leased and vendor-supplied property. If this test is met, exemption is for personal property owned by the claimant.
- Exemption affidavit filed annually by Feb. 10  
Assessor may deny exemption for current year and prior three years.
- 2013 PA 153, SB 489

# EMPP Exemption

- The PPT on “Eligible Manufacturing Personal Property” will be phased off of the tax rolls over the next 7 years under the following formula:
  - Beginning in 2016, all personal property first placed in service before 2006 and after 2012 will be exempt.
  - 2017 – Property first placed in service in 2006 will also be exempt.
  - 2018 – Property first placed in service in 2007 will also be exempt.
  - 2019 – Property first placed in service in 2008 will also be exempt.
  - 2020 – Property first placed in service in 2009 will also be exempt.
  - 2021 – Property first placed in service in 2010 will also be exempt.
  - 2022 – Property first placed in service in 2011 will also be exempt.
  - 2023 – All eligible manufacturing property will be exempt.
- Eligible Manufacturing Property is property that is used at least 50% of the time in industrial processing or direct integrated support of industrial processing.

# Change to EMPP Exemption

- For eligible manufacturing personal property exemption that phases in beginning in 2016, definition of industrial processing now tied to eligibility for sales/use tax industrial processing exemption.
- Exemption affidavit must be filed by February 20 (May 31, 2016).
- Assessor may deny exemption for current year.
- No exemption for property used to generate, transmit, or distribute electricity for sale.
- 2013 PA 154, SB 490; 2014 PA 87, SB 823

# Other Reimbursement Changes

- Beginning for 2016, estimated 100% reimbursement for all losses
- School districts reimbursed for debt, sinking fund, recreation, and hold-harmless millage.
- Out-of-formula SD reimbursed for operating millage.
- Debt and hold-harmless millage rates calculated including PPEL TV; reimbursement for PPEL TV
- ISDs reimbursed for all millage.

# Other Reimbursement Details

- Beginning in 2016, loss from personal property exemptions calculated by subtracting current year CP TV and IP TV from 2013 CP TV and IP TV.
- Calculations include IFT property (new at 50%).
- Calculations exclude property classified as either IP or CP in one year but classified as real property or utility personal in other.

# Other Reimbursement Provisions

- Except for school/ISD debt millage and hold-harmless millage, reimbursements calculated using each taxing unit's sum of the lowest rate of each individual millage levied between 2012 and the immediately preceding year. Treasury reports rates by May 1 of each year.
- School/ISD debt rates reported to Treasury by August 15.



# **2017 Form 5451**

## **Personal Property Exemption Loss 2017 Debt Millage Reimbursement Claim**

Issued under authority of Public Act 87 of 2014.

**COMPLETE THIS FORM ONLY IF  
DEBT MILLAGE WAS LEVIED IN 2017**

# 2017 Form 5451

1. Enter the amount of 2017 personal property exemption loss (taxable value) from county equalization director.
2. Enter the actual debt millage rate levied in 2017 specifically to pay principal and interest of obligations approved by the voters before 2013.
3. Enter the actual debt millage rate levied in 2017 specifically to pay principal and interest of obligations incurred after 2012 that refinance obligations approved by the voters before 2013. Include only the portion of the debt millage levied to repay the obligations approved by the voters before 2013.

# 2017 Form 5451

4. Enter the 2017 debt millage rate eligible for reimbursement. Add lines 2 and 3.
5. Enter the actual debt millage rate levied in 2017 specifically to pay principal and interest of obligations approved by the voters after 2013 and not reported on line 3. Millage reported on this line is not eligible for reimbursement.
6. Enter actual total debt millage rate levied in 2017 specifically to pay principal and interest of obligations approved by the voters. Add lines 4 and 5.

# Debt Millage Rate Calculation

- For debt approved by voters before 2013, the 2017 debt millage rate calculation is debt service divided by the sum of 2017 taxable value plus the 2017 personal property exemption loss.
- 2017 Debt service: \$200,000
- 2017 Taxable value: \$100 million
- 2017 personal property exemption loss: \$1 million
- 2017 Debt millage rate: \$200,000 divided by \$101 million or 1.9802 mills.

# Debt Millage Rate Calculation

- If district levies 1.9802 debt mills, reimbursement is \$1 million PPEL multiplied by 1.9802 mills = \$1,980.

# Changes regarding TIF Plans

- Beginning for 2014, reimburse TIF plans for PPT loss. TIF plans file Form 5176. Beginning for 2016, PPT loss includes the loss of increased captured value, which means:
  - Anticipated revenue from expiring tax exemptions
  - Revenue from anticipated future investment
  - Seven tests must be met for increased captured value
- Reimbursements to SDs & ISDs reduced for payments to TIF plans for SD/ISD millage.

# Changes Regarding Timing of Reimbursement

- County allocated millage: by September 20 (November 20, 2016).
- Other county millage, township millage, and other millage levied 100% in December: the following February 20.
- All other millage: October 20 (November 20, 2016).
- Treasury to advance to Authority \$ necessary to make timely payments.

# Other Reimbursement Provisions—Prior Year Adjusts

- Except for debt losses and essential services loss, reimbursements for a year are adjusted to reflect the final court order related to any prior year calculation.
- Adjustment made only if changes in prior-year taxable value can be calculated from taxable values reported by county treasurers to MI Department of Education.
- Need a way to adjust MDE taxable values for CP and IP excluded from calculations.



# Reporting Details Beginning 2016

- By June 5, assessors report to CED current TV of CP and IP of each taxing unit.
- By June 20, CEDs report to Treasury the current year TV of CP and IP of each taxing unit.
- Reports calculate personal property exemption loss (PPEL) by subtracting current year CP TV and IP TV from 2013 CP TV and IP TV.

# Use Tax \$ to Authority for Reimbursements

|       |                 |
|-------|-----------------|
| FY 16 | \$96.1 million  |
| FY 17 | \$380.6 million |
| FY 18 | \$410.5 million |
| FY 19 | \$437.7 million |
| FY 20 | \$465.9 million |
| FY 21 | \$491.5 million |
| FY 22 | \$521.3 million |
| FY 23 | \$548.0 million |
| FY 24 | \$561.7 million |

# Est. State Use Tax \$ to School Aid Fund for PPT Cuts

FY 14 \$9.9 million

FY 15 \$19.9 million

FY 16 \$30.9 million

FY 17 \$42.0 million

After FY 17, estimated 1% annual increase

# 2015 Public Acts

- HB 4553 Amendments to Property Tax Act 2015 PA 119
- HB 4554 Amendments to State ESA 2015 PA 120
- HB 4556 Amendments to Local Community Stabilization Authority Act 2015 PA 122
- HB 4557 Amendments to 1974 PA 198 2015 PA 123

# 2016 Public Acts

- HB 5526 Amendments to Property Tax Act 2016 PA 108
- HB 5525 Amendments to State ESA 2016 PA 107
- HB 5176 Amendments to Local Community Stabilization Authority Act 2016 PA 124
- HB 5527 Amendments to 1974 PA 198 2016 PA 110

- **Local School Districts and Intermediate School Districts**
- [Local School District and Intermediate School District – PPT Distribution by Payee](#)
- [School District & Intermediate School District – Debt, Sinking, and Recreation Millage Calculation](#)
- [Intermediate School District – Operating Millage Calculation](#)
- [School District – Hold Harmless Millage Calculation](#)
- [School District – Out of Formula Calculation](#)

- **Other Municipalities**
- Other Municipalities – PPT Distribution by Payee
- Other Municipalities – 2016 PPT Reimbursement Calculation Tool

# Contact for Reimbursement Qs

- [TreasORTAPPT@michigan.gov](mailto:TreasORTAPPT@michigan.gov)
- (517) 373-2697