



August 18, 2014

## *Michigan Voters Pass Proposal 1 to Remove Business Personal Property Tax*

On August 6, 2014, Michigan voters approved a ballot initiative that will gradually eliminate the personal property tax that is imposed on businesses located in Michigan. The personal property tax annually imposes a tax on businesses based on the value of personal property (i.e. machinery and other equipment used in the business), regardless of the year in which such property was purchased. For the purposes of the personal property tax, personal property means all personal property located on real property in which that personal property is used more than 50% of the time as part of the business process.

In an effort to eliminate administrative costs to local businesses and to encourage new business investment in Michigan, Proposal 1 will gradually phase out the imposition of the personal property tax. Businesses with \$80,000 or less of taxable personal property in the aggregate owned by the business are immediately exempt from paying personal property taxes in 2014. For businesses with more than \$80,000 of taxable personal property in the aggregate, exemption is based on when the property was purchased. The following is a summary of the phase out of the personal property tax for personal property owned by a business:

<b>Purchase Period/Amount of Personal Property Assets Owned By Business</b>	<b>Applicable Phase Out Date</b>
\$80,000 or less of personal property	100% exempt beginning in 2014
More than \$80,000 of personal property	
Purchased after 2012	100% exempt beginning in 2016
Purchased before 2006	100% exempt beginning in 2016
Purchased between 2006 and 2012	100% exempt when equipment becomes 10 years old

Businesses with an existing personal property abatement may qualify for an extension of the abatement until the applicable phase out exemption occurs. Portions of the funds received from the imposition of the personal property tax are allocated to the local communities in which the personal property is located.

To ensure that municipalities do not lose out on funding as a result of the phase out of the personal property tax, Proposal 1 also includes a mechanism for local communities to be reimbursed by the State of Michigan from state use tax funds that are currently held in the general fund. Local governments can also be reimbursed by the State through an essential services assessment, which reimburses amounts local governments would have otherwise received from personal property tax funds that the local government used for essential services (fire, police, jail, ambulance).

If you would like to speak to a Butzel Long attorney about the provisions related to the passage of Proposal 1, please contact any member of the Tax Group:

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