



# 2016 MICHIGAN PERSONAL PROPERTY CHANGES

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December 15, 2015



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News

- \$1.2B annual revenue\*
- 6,500+ Employees
- 90% Fortune 100 customers
- Complete Tax Platform
- Annual growth over 30%



Legal



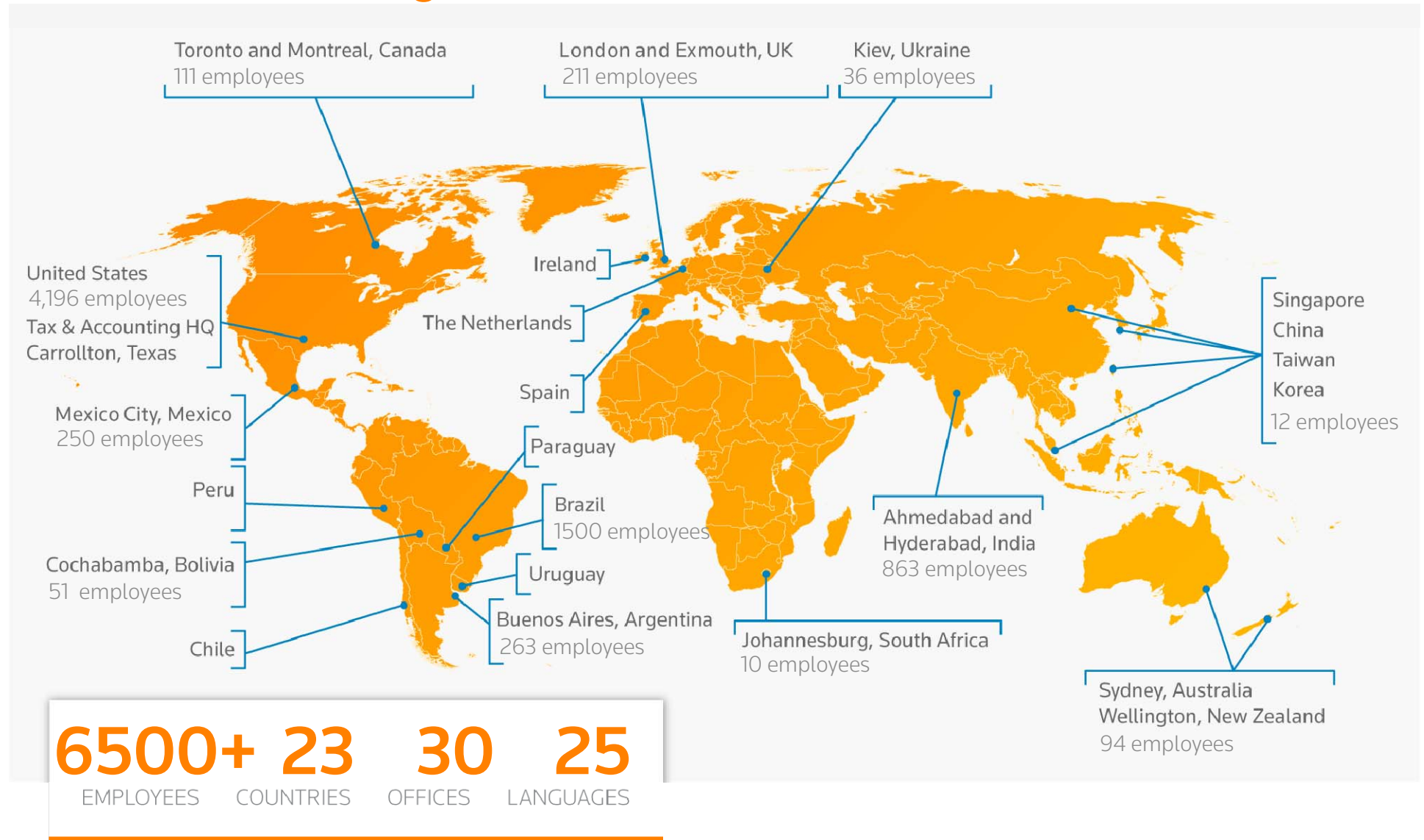
Tax & Accounting



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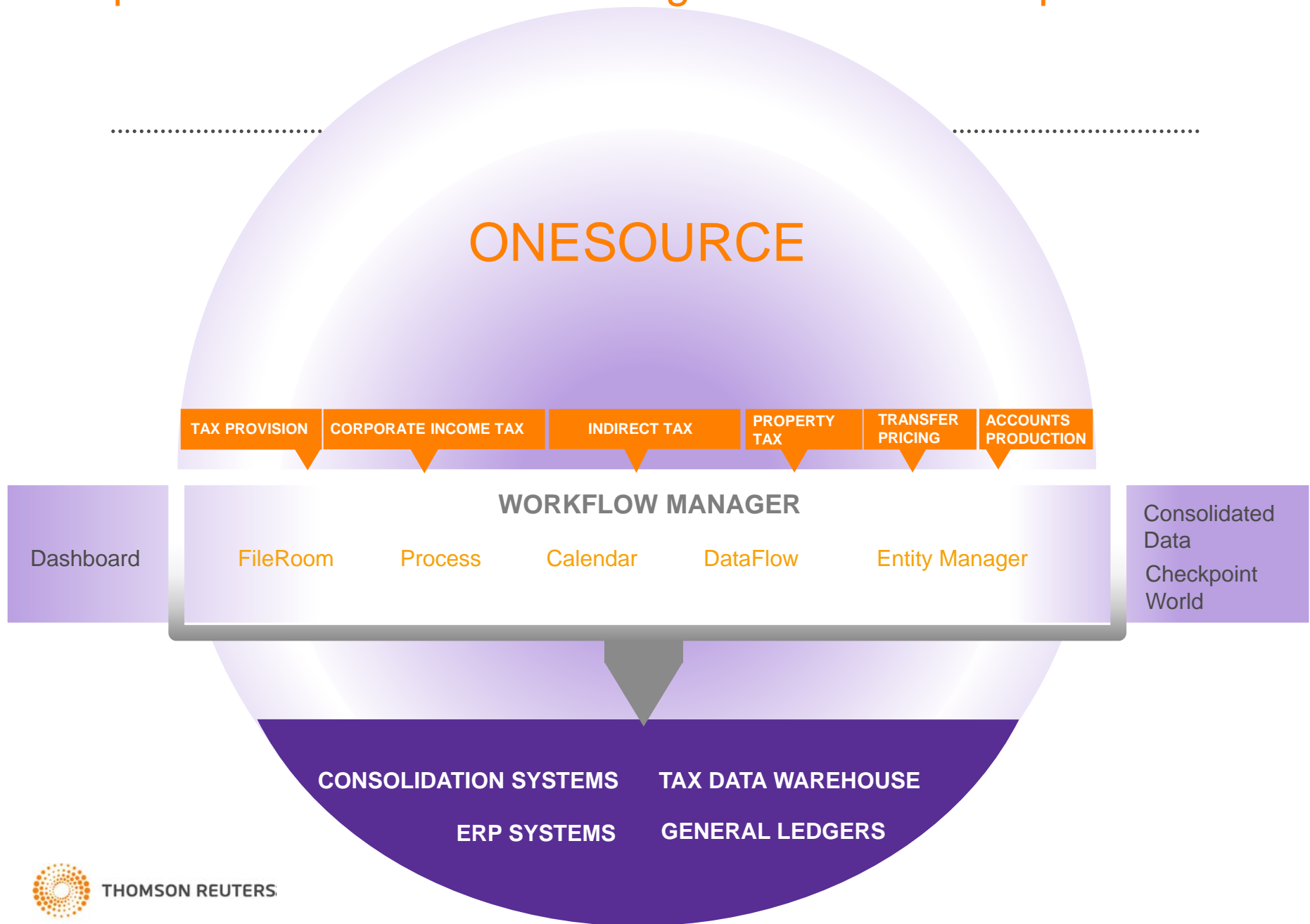
*\*based on Thomson Reuters 2012 Annual Report*

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# ONESOURCE Property Tax

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- **ONESOURCE Property Tax**
  - Formerly eProperty Tax
  - Acquired by Thomson Reuters in 2006
  - Leading Solution for both Real Estate and Personal Property



## Speaker

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- **Lori Nusbaum**
- Lori is a Senior Tax Research Analyst for ONESOURCE Indirect and Property Tax
- Responsible for researching taxability rules, maintaining content, helping customers achieve compliance and supporting ONESOURCE indirect and property tax software.
- Lori joined Thomson Reuters in 2001 and has years of experience in property tax research, an in-depth understanding of property tax compliance using ONESOURCE Property Tax software, and the training needs of customers.



# Today's Agenda

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- NEW ESA
- NEW & OBSOLETE FORMS
- REMINDERS
- FORM 5278 INFO
- FORM 5278 PARTS
- ONESOURCE
- STILL TO COME
- Q&A



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# ESA - NEW FOR 2016

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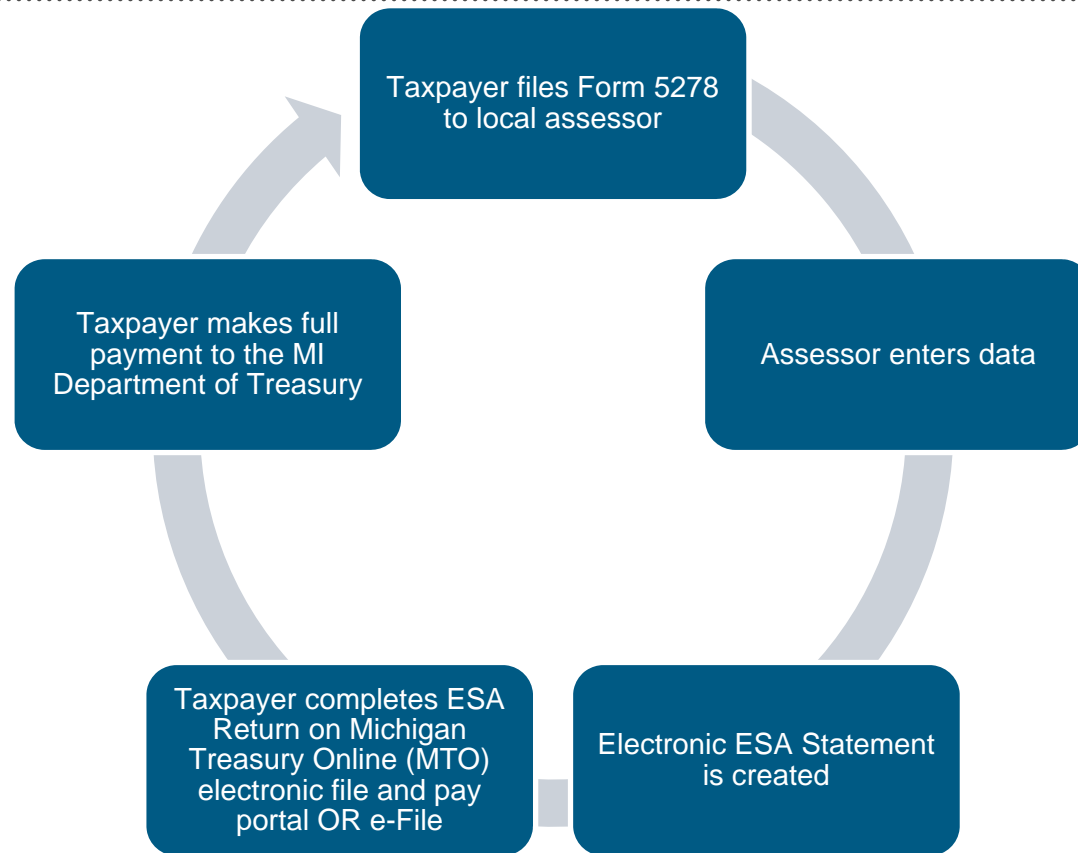
## ESA – Essential Services Assessment

Beginning 1/1/2016 ESA is levied on all eligible PP

- ESA is a state specific tax on eligible personal property owned by, leased to, or in the possession of an eligible claimant on 12/31 of the year immediately preceding the assessment year
  - Eligible PP
    - Exempt under Qualified New or Qualified Previously Existing PP Tax Exemption
    - Exemption under 328 Exemption (distressed communities) approved after 2013
    - Exemption under an extended 328 Exemption
    - PP subject to an extended industrial facilities exemption certificate (IFT)

# ESA PROCESS

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## ESA TIMELINE

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- Feb. 20 – Form 5278 due to local assessor
- May 1 – Electronic ESA Statement available
- Aug. 15 – Completed Statement and full payment due to Department of Treasury
- Oct. 15 – Late filed statements and penalty due
- Dec. 5 – State Tax Commission issues order to rescind
- Dec. 31 – Deadline to file and appeal to the STC



## ESA CALCULATION

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- For eligible PP acquired by the 1<sup>st</sup> owner...
  - in year 1 to 5 years before the assessment year
    - Multiply the acquisition cost of EMPP by 2.4 mills
  - in year 6 to 10 years before the assessment year
    - Multiply the acquisition cost of EMPP by 1.25 mills
  - More than 10 years before the assessment year
    - Multiply the acquisition cost of EMPP by .9 mills



# ESA CALCULATION EXAMPLE

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## *Example: ESA Exemption*

\$150 million investment in personal property in an Eligible Distressed Area could receive a ESA Exemption for 15 years. As a result, the ESA Exemption would be worth:

	Years 1-5 (2.4 mills)	Years 6-10 (1.25 mills)	Years 10-15 (0.9 mills)
ESA Amount	\$1,800,000	\$937,500	\$675,000
TOTAL SESA Exemptions Value	\$3,412,500		



# 2016 NEW AND OBSOLETE FORMS

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- New
  - Form 5278
  - Form 5277
- Obsolete
  - Form 5201





## NEW FORM 5278

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- Form 5278 - Affidavit and Statement for Eligible Manufacturing Personal Property and Essential Services Assessment (ESA)
  - Used by those claiming the EMPP exemption
  - Eligible claimants are required to file MI Form 5278 annually
  - File for each parcel
  - File with the assessor of the township or city where PP is located
  - Must be received on or before 2/20

## NEW FORM 5277

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- Form 5277 - Affidavit to Rescind Exemption of Eligible Personal Property
  - Taxpayers claiming an exemption must file form to rescind the exemption by Dec. 31 of the year in which the exempted
  - File Form 5277 with the local assessor
  - Assessor transmits form to the Department of Treasury by April 1



## POLL QUESTION #1

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- Do you plan on filing Form 5278 in 2016?
  - Yes
  - No
  - Not sure yet
  - What is Form 5278???



## POLL QUESTION #1

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- Do you plan on filing Form 5278 in 2016?
  - Yes
  - No
  - Not sure yet
  - What the heck is Form 5278



# FORM 5278 PARTS

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- 3 Parts to Form 5278
  - Part 1 – Affidavit to claim exemption

**PART 1: AFFIDAVIT** To claim this exemption you must fully complete the Affidavit, including the required certification, and the Statement. Report only one personal property parcel on this affidavit/statement.

- Part 2 – Ad Valorem PP Statement for
  - Eligible Manufacturing PP (EMPP)
  - Renaissance Zone PP
  - Industrial Facilities PP (Form 5278 double as IFT return)

**PART 2: Ad Valorem Personal Property Statement for Eligible Manufacturing Personal Property, Renaissance Zone Personal Property and Industrial Facility Personal Property**

# EMPP REMINDER

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## EMPP – Eligible Manufacturing Personal Property

All PP located on occupied RE property that is predominantly used in industrial processing or direct integrated support.

- Predominantly used – more than 50% of the time
- Industrial processing –converting or conditioning tangible PP for retail sale
- Direct integrated support – R&D, testing, quality control, engineering, receiving, storing, etc. related to goods produced in industrial processing





# 2016 UNCHANGED – EXEMPTION PROGRAMS

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Specific exemption certificates remain in effect until the eligible manufacturing personal property exempted in those certificates becomes exempt

Which certificates remain in effect?

- Qualified New PP
- Qualified Previously Existing PP
- Industrial Facilities Exemptions
- Technology Park Development Facilities Tax
- New PP Exemption
- Enterprise Zone



## Remaining years of the phased-in exemptions

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Year Property Purchased	Year 100% Exempt
2005 and prior	2016
2006	2017
2007	2018
2008	2019
2009	2020
2010	2021
2011	2022
2012	2023



# FORM 5278 PARTS

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## — Part 3 – Essential Services Assessment Statement (ESA)

### **PART 3: Essential Services Assessment Statement (ESA)**

Beginning December 31, 2015 (for the 2016 assessment year), qualified new personal property and qualified previously existing personal property located on occupied real property is exempt from ad valorem taxation and is instead subject to the State Essential Services Assessment. Additionally, certain P.A. 198 (IFT) Property and New Personal Property (P.A. 328) as determined below are subject to the State Essential Services Assessment.



# INDUSTRIAL FACILITIES TAX

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- If you report IFT property
  - Report costs in Part 3 of Form 5278
  - Do not report costs in both Section 1 and Section 2
  - Answer 2 FRQs to guide you how IFT property is reported under the PP tax changes
    - FRQ 1 – Is my property subject to an IFT Certificate that was in effect before Jan. 1, 2013?
    - FRQ 2 – Is my property subject to an IFT Certificate which was in effect on or after Dec. 21, 2012 and therefore was extended under the provisions of MCL 207.561a?
      - Yes to FRQ 1, then exempt property will pay the ESA Specific Tax at ½ the acquisition cost until that IFT certificate expires
      - Yes to FRQ 2, your certificate will be extended and not expire until all property covered under that IFT certificate is exempt



# PERSONAL PROPERTY EXEMPTION – NEW LEGISLATION 2016

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## Qualified New PP

- Property in service on or after 12/31/2012
- OR was CIP on or after 12/31/2012
- AND is eligible manufacturing PP (EMPP)

## Qualified Previously Existing PP

- PP in service more than 10 years before the current calendar year
- AND is eligible manufacturing PP (EMPP)

# ONESOURCE PROPERTY TAX

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## FORM 5278 – PART 2

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- Questions 1-6 are populated by FRQs
- Indicate type – Ad Valorem or IFT
- Report all PP that is eligible EMPP that is still subject to Ad Valorem assessment here until it becomes exempt
- Renaissance zone and IPT property must also be reported in Part 2.
- Only report assets in service from 2012 – 2006
- Section O is populated by FRQs



## POLL QUESTION #2

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- Are the majority of the assets you will file in 2016 ad valorem or ESA?
  - Ad Valorem
    - assets 2006 – 2012
  - ESA
    - assets 2005 and older and
    - assets 2013 and newer
    - assets that no longer qualify for existing exemptions



## FORM 5278 – PART 3

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- Questions 1-7 are populated by FRQs
- We are in the process of deciding the default mapping
  - Once we determine if more of you are filing Ad Valorem or ESA



## FORM 5278 – PART 3

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- Default - Ad Valorem
  - Assets will be default mapped to Part 2
  - Override assets to Part 3, Section 1 or 2
- Default - ESA
  - Asset will be default mapped to Part 3, Section 1
    - Assets are not depreciated and taxed at 100% of cost
  - Override assets to Part 2
    - Assets are depreciated based on age of asset
  - Override assets to Part 3, Section 2
    - Assets are taxed at 50% of cost

# ONESOURCE PROPERTY TAX – MICHIGAN ESA VIEW

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- New system view
  - Added to the Assets subject
  - Named “Michigan ESA”
    - Utilize view to assist with the necessary overrides

View: Michigan ESA Listing: Active Asset Listing Class: All Classes

Selected Modified All

Blue Filters View Name: Michigan ESA [System Views]

And/Or	Field	Operator	Value	All	
	State	=	MI	<input checked="" type="checkbox"/> Use	X
And	Date Acquired	<	01/01/06	<input checked="" type="checkbox"/> Use	X
Or	Date Acquired	>=	01/01/13	<input checked="" type="checkbox"/> Use	X
And	Class: Reportable	=	Reported	<input checked="" type="checkbox"/> Use	X
And	Class: Taxable	=	Taxable	<input checked="" type="checkbox"/> Use	X
And	Adj: Sales Tax	=	0	<input checked="" type="checkbox"/> Use	X
And				<input type="checkbox"/> Use	X

## FORM 5278 - KEY INFORMATION

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- Do not file Form 632 Personal Property Statement in 2016 if you are filing Form 5278 AND you filed Form 5201 in 2015 that included eligible EMPP
- Leasing companies are not eligible to use Form 5278
- If Form 5278 is not filed, Form 632 must be filed and property is NOT exempt from taxation





# ONESOURCE PROPERTY TAX - INDUSTRIES

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- ESA Industry
  - Form packet – Form 5278 and Form 2698 Idle
  - Select Form 5278 and attachment

Source of Form	Form ID	Certified	Use <input type="checkbox"/>	Default
STATE	MI Form 4452	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
STATE	MI Form 5076 Affidavit	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
STATE	MI Form 5201	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
STATE	MI Form 5278	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
STATE	MI L-4175	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Source of Form	Form ID	Certified	Use <input type="checkbox"/>	Default
STATE	MI Form 3966 Attachment	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
STATE	MI Form 5076 Attachment	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
STATE	MI Form 5201 Attachment	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
STATE	MI Form 5278 Attachment	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
STATE	MI Wireless Attachment	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>



# ONESOURCE PROPERTY TAX - INDUSTRIES

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- Automotive Industry
  - Form packet – Form 5278, Form 2698 Idle, Form 4798 Auto
  - Select Form 4798 Automotive Mfg Equipment PP Report and attachment

Source of Form	Form ID	Certified	Use <input type="checkbox"/>	Default
STATE	MI Automotive Mfg Equip PP Retur	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
STATE	MI Form 3589	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
STATE	MI Form 3595	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
STATE	MI Form 3966	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
STATE	MI Form 4452	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Source of Form	Form ID	Certified	Use <input type="checkbox"/>	Default
STATE	MI Attachment	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
STATE	MI Auto Mfg Attachment	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
STATE	MI Form 3589 Attachment	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
STATE	MI Form 3595 Attachment	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
STATE	MI Form 3966 Attachment	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>



# ONESOURCE PROPERTY TAX – FRQs

- FRQs have changed
  - Update answers to FRQs

ONESOURCE™ Property Tax Form Review - Internet Explorer

File Edit View Favorites Tools Help

X Share Browser WebEx

2016

Form: 1 of 1 Page: 1 of 1 Save Cancel Close

State: MI Jurisdiction: Bay Location: Bay-PropID Account: Bay-Acct on Parcel-Info Tab

Form ID: MI Form 5278 Client: RnC

Apply Selected: To all other MI MI Form 5278 forms for RnC

[Sample Form](#) Select ALL: ☐

1. Would you like the "Assessor's Calculations" to be left blank?	<input type="radio"/> Yes, Leave Blank	<input type="checkbox"/>
	<input checked="" type="radio"/> No, Show Values	
2. Idle, Obsolete and Surplus Equipment report - Name of person to contact:	FRQ2	<input type="checkbox"/>
3. Idle, Obsolete and Surplus Equipment report - DBA:	FRQ3	<input type="checkbox"/>
4. Idle, Obsolete and Surplus Equipment report - telephone number of person to contact:	FRQ4	<input type="checkbox"/>
5. Idle, Obsolete and Surplus Equipment report - Title of person signing form:	FRQ5	<input type="checkbox"/>
6. FORM 5278 - City of Local Unit of Government where PP is Located:	FRQ6	<input type="checkbox"/>
7. Township of Local Unit of Government where PP is Located	FRQ7	<input type="checkbox"/>
8. Village of Local Unit of Government where PP is Located	FRQ8	<input type="checkbox"/>
9. List all RE property parcel numbers where the PP reported on this form is located:	FRQ9	<input type="checkbox"/>
10. Primary Occupant Name:	FRQ10	<input type="checkbox"/>
11. Indicated assumed names, if any, used by legal entity:	FRQ11	<input type="checkbox"/>
12. Date business began at location:	FRQ12	<input type="checkbox"/>



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# OPT – FRQs SAMPLE FORM PDF

Michigan Department of Treasury  
5278 (Rev. 11-15)

Parcel Number  2016

## Affidavit and Statement for Eligible Manufacturing Personal Property and Essential Services Assessment

Issued under the authority of the General Property Tax Act, Public Act 206 of 1993, and the Essential Services Assessment Act, Public Act 92 of 2014. Filing is mandatory.

**DO NOT COMPLETE THIS AFFIDAVIT AND STATEMENT UNLESS THE PERSONAL PROPERTY MEETS THE DEFINITION OF ELIGIBLE MANUFACTURING PERSONAL PROPERTY (EMPP) (Personal property that does not meet the definition should be reported on Form 632, Personal Property Statement). Report only one personal property parcel on this affidavit/statement and enter the parcel number at the top of this page.**

Beginning December 31, 2015 (for the 2016 assessment year), qualified new personal property and qualified previously existing personal property located on occupied real property is exempt from taxation. To claim this exemption, a fully completed Form 5278 must be received by the Assessor of the local unit of government where the qualified personal property is located no later than February 20, 2016. Failure to complete any of the fields on Form 5278, will result in the claim being denied. Claiming this exemption when not entitled to it can result in significant penalties.

**Important Notes:** This Affidavit and Statement is not to be completed by leasing companies. Definitions are provided in Part 4. Instructions are provided in Part 5.

**PART 1: AFFIDAVIT** To claim this exemption you must fully complete the Affidavit, including the required certification, and the Statement. Report only one personal property parcel on this affidavit/statement.

### Personal Property Information Location

Name of Local Unit of Government where Personal Property is Located

City	Township	Village	County
6	7	8	
Street Address	City	State	ZIP Code
9			

List all real property parcel numbers where the personal property reported on this form is located (attach list as necessary)

### Taxpayer Information

Taxpayer Name		Primary Occupant Name	
10			
Contact Person Name	E-mail Address	Telephone Number	
Owner Representative			
Street Number	Street Name	City	State
		ZIP Code	Country
FEDIN Number	Indicate assumed names, if any, used by legal entity (attach list if necessary): 11		Date business began at location: 12

**Business Type.** Indicate the nature of your business organization. Check only one.

<input type="checkbox"/> Sole Proprietorship	<input type="checkbox"/> Limited Liability Co. MI ID # 14	<input type="checkbox"/> Corporation MI ID # 15	<input type="checkbox"/> Partnership
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Printed Name of Person in Charge of Records	Telephone Number	Address where records are retained
Records Location		

### CERTIFICATION

1. I certify that I own, lease or otherwise occupy the real property on which the eligible manufacturing personal property is located, or I am the sole proprietor, partner, officer, managing member or the duly authorized agent of the owner, lessee or occupant (agent must attach letter of authority).

2. I certify that the personal property for which an exemption is claimed pursuant to this Affidavit and Statement is Eligible Manufacturing Personal Property as defined by MCL 211.9m and the personal property for which an exemption is being claimed meets the more than 50% requirement of being predominantly used in industrial processing or direct integrated support and therefore qualifies or will qualify for exemption under MCL 211.9m or MCL 211.9n.

3. I certify my understanding that according to Public Act 92 of 2014 I am required to provide access to the books and records, for audit purposes, relating to the location and description, the date of purchase, lease, or acquisition, and the purchase price, lease amount, or value of all personal property owned by, leased by, or in the possession of that person or a related entity if requested by the assessor of the township or city, county equalization department, or department of treasury for the year in which the statement is filed and the immediately preceding 3 years.

4. I hereby certify that all the information contained within, and attached to this Affidavit and Statement is true and accurate to the best of my knowledge, information and belief.

Signature	Printed Name	Date
Agent Signature	Agent Signing Return	Show Agent Date

Indicate the appropriate title of the person certifying this Affidavit and Statement:

<input type="checkbox"/> Sole Proprietor	<input type="checkbox"/> Partner	<input type="checkbox"/> Officer	<input type="checkbox"/> Managing Member	<input type="checkbox"/> Agent (attach letter of authority)
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5278, Page 2

## PART 2: Ad Valorem Personal Property Statement for Eligible Manufacturing Personal Property, Renaissance Zone Personal Property and Industrial Facility Personal Property

**Summary and Reporting Instructions:** Provide a yes or no answer to all questions and provide the additional information as necessary.

1. Have you excluded from this statement any exempt "Special Tools" and/or Air/Water Pollution Control Facilities and/or Wind/Water Energy Conversion Devices?	17 Yes	17 No	If yes, enter Total Original Cost
2. Have you reported all of your assessable tangible personal property and EMPP located in Michigan to the appropriate assessment jurisdiction, including all fully depreciated or expensed assets?	18 Yes	18 No	If no, attach explanation.
3. Did you hold a legal or equitable interest in assessable personal property which you have not reported on this Form 5278 (see instructions) and/or have any of your assets been subjected to "rebidding" of costs for accounting purposes or been purchased used?	19 Yes	19 No	If yes, attach explanation.
4. Are you a party (as landlord or tenant) to a real property rental or lease agreement in this jurisdiction?	20 Yes	20 No	If yes, complete Section C.
5. Is any of your property "daily rental property" per PA 537 of 1998?	21 Yes	21 No	If yes, complete Form 3595.
6. Are other businesses operated at your location(s)?	22 Yes	22 No	If yes, attach itemized list.

### Report of Eligible Manufacturing Ad Valorem Personal Property and P.A. 198 (IFT) Property:

Indicate Type: ☐ Ad Valorem ☐ IFT

The taxpayer must annually report all personal property that is Eligible Manufacturing Personal Property, which is still subject to Ad Valorem assessment, within Part 2 of this statement until the personal property becomes exempt. All such Personal Property in your possession at the location stated in Part 1, including fully depreciated and expensed assets, must be reported on this Statement. If you had "Move-in" of used property, you must also complete Form 3595, Taxpayer Report of Personal Property "Move-in" of Used Equipment. Please refer to Form 3595 for additional instructions. Renaissance Zone and extended IFT property must also be reported in Part 3.

Section A: Furniture and Fixtures			
Year in Service		Assessor Calculations	
2012	.61		
2011	.53		
2010	.47		
2009	.42		
2008	.37		
2007	.33		
2006	.29		
TOTAL	A1 0	A2 0	

Section D: Office, Electronic Video and Testing Equipment			
Year in Service		Assessor Calculations	
2012	.49		
2011	.44		
2010	.41		
2009	.38		
2008	.35		
2007	.33		
2006	.31		
TOTAL	D1 0	D1 0	

Section F: Computer Equipment			
Year in Service		Assessor Calculations	
2012	.24		
2011	.19		
2010	.15		
2009	.08		
2008	.06		
2007	.06		
2006	.08		
TOTAL	F1 0	F2 0	

Section B: Machinery and Equipment			
Year in Service		Assessor Calculations	
2012	.60		
2011	.54		
2010	.49		
2009	.45		
2008	.42		
2007	.38		
2006	.36		
TOTAL	B1 0	B2 0	

Section E: Consumer Coin Operated Equipment			
Year in Service		Assessor Calculations	
2012	.69		
2011	.61		
2010	.54		
2009	.46		
2008	.38		
2007	.30		
2006	.23		
TOTAL	E1 0	E2 0	

Section G: Other Owned Assessable Personal Property (attach separate description)			
Year in Service		Assessor Calculations	
2012			
2011			
2010			
2009			
2008			
2007			
2006			
TOTAL	G1 0	G2 0	



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Slide 10

## STILL TO COME

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- E-file
  - Working to develop a process for OPT to communicate and transfer data into MI e-file
- Sub-jurisdiction for ESA
  - Tax year: April 1 – March 30
    - Accruals
  - Due date: Aug. 15
    - Tax Due Report
- County reference conversion table
  - City/Township to county
  - Located on Account Info tab under County field



## STILL TO COME

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- Exploring option to add depreciation tables to calculate ESA taxes
  - To get rendered value closer to taxes due



# QUESTIONS AND ANSWERS

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# RESOURCES

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- Michigan Dept. of Treasury
  - <http://www.michigan.gov/taxes/0,4676,7-238-43535---,00.html>
    - Essential Services Assessment
      - What's New? ESA Topics
      - Bulletins
      - Statutory References
      - Forms
      - Key Dates
      - Contact
        - Submit a question about ESA
        - ESAQuestions@michigan.gov