

# Rehmann Live!

## Proposal 1: Impact on You and Your Business

Presented by:

Mike Bozimowski, JD, MST, CMI



# Mike Bozimowski, JD, MST, CMI



mike.bozimowski@rehmann.com  
248.579.1100

## Principal

- Rehmann
- Director of SALT Technical Services
- Specializes in tax services including the various state and local taxes, merger and acquisition assistance, settlement negotiations as well business and strategic planning
- Experience in consulting for clients both mid-sized and large

(unique collaboration)

# Agenda

Business wisdom delivered.

Corporate Investigator

customer satisfaction

Health Advisors

More Ideas

- Why it is called a Business Property exemption?

- 2014: Small Parcel Exemptions

- Commercial and Industrial

Core Experience

- 2016: The exemption begins

- Industrial Property

diverse perspectives

- What about the 2015 filings

CPAs & Consultants

proactive thoughts

More Service



(unique collaboration)

# Tell us about your company

Business wisdom delivered.

More Ideas

Corporate Investigator

• What type of business do you conduct?

- Industrial
- Commercial
- Service
- Agricultural
- Other

Core Experience

customer satisfaction

diverse perspectives

Health Advisors

CPAs & Consultants

proactive thoughts

More Service



(unique collaboration)

# Tell us about your company

Business wisdom delivered.

Corporate Investigator

customer satisfaction

Health Advisors

More Ideas

- Do you currently have any Abatements?
  - Pollution control
  - Industrial Facility
  - New Personal property

Core Experience

diverse perspectives

CPAs & Consultants

proactive thoughts

More Service



# Small Parcel Exemption

- Applicable to property that is classified either Industrial or Commercial Business property
- Fair market value of personal property on commercial or industrial parcels within a city or township (AKA- in the local tax collecting unit)
- Value less than \$80,000 of true cash value
  - The value is a **cliff** → \$80,001 you are out
- Strict application to personal property
  - Owned, leased, or
  - **In possession of you or a related entity**

# What you cannot do with the Small Parcel Exemption

- Distribute personal property ownership among affiliated owners to stay below \$80,000?

- Taxpayer must count all personal property you own or **“control”**

- The State Tax Commission (STC) has advised local assessors that leased Personal Property of the taxpayer's or property in their possession is counted.

- **Control test**

- If you can vote 10% or more of an entity: it is a rebuttable presumption, but the burden is on the taxpayer.

# How do you perfect the Small Parcel Exemption

- Filing must be made to perfect the exemption
- Must file annually an Affidavit (Form 5076) by February 10
- Need not file personal property statement (PPS)
  - If filed by January 10, assessor need not send PPS
  - STC has determined that late filed affidavits after 2014 should not be accepted



(unique collaboration)

Business wisdom delivered.

More Ideas

Corporate Investigator

Okay, Prop. 1 has passed...  
Now what matters?

More Experience

Customer satisfaction

diverse perspectives

Health Advisors

CPAs & Consultants

proactive thoughts

More Service



# Misleading terms and what still needs to be done

- Personal Property Tax (PPT) is not gone yet
  - Returns must still be made if owned value is over the exemption amount.
    - We already talked about annually affidavit (Form 5076)
- Manufacturing equipment is now all exempt - **NO!!!**
  - Some property will continue to be taxed and reported.

(unique collaboration)

# New terms

Business wisdom delivered.

Corporate Investigator

customer satisfaction

Health Advisors

More Ideas

- Exemption is only applicable to eligible manufacturing personal property (EMPP)

Core Experience

- A new test for determining qualification
  - All-or-nothing test for each occupied real property (ORP) area

diverse perspectives

CPAs & Consultants

proactive thoughts

More Service



# What is meant by EMPP & ORP?

- EMPP means "all personal property located on occupied real property if that personal property is predominantly used (see 50% calculation test) in either "industrial processing" or in "direct integrated support"
  - All-or-nothing test of property predominantly used in industrial processing and the property that is in direct integrated support of industrial processing

# What is meant by EMPP & ORP?

- Occupied Real Property (ORP)

– Another new term

- What area does the ORP cover?

– The part or whole of a parcel occupied by taxpayer.

– Contiguous parcels (or portions) that host a single integrated operation.

# What is the EMPP & ORP test?

- For each piece of personal property, multiply its original cost by its percentage of use in either “Industrial Processing,” or “Direct Integrated Support” of industrial processing
  - Original cost is not current value or depreciated cost
  - Percentage used in IP must be same as the determination for IP for sales tax purposes

## Total for ORP Location

- If the total IP and Direct Support property use is above 50% of total property, all personal property on ORP qualifies as EMPP.

# What could be left to report?

- Property that is Phasing in
  - categories shrink as 10-year-old property catches up to property purchased after 2012. (See chart that follows)
- Note: commercial and industrial personal property with 12 and 24 mill exemptions remain for phased in equipment and property located on nonqualified EMPP and ORPs

(united collaboration)

Business wisdom delivered.

# Exemption schedule for existing property

More Ideas

Corporate Investigator

Property Purchased by First Owner In	100% Exemption Goes Into Effect
Pre-2006	2016
2006	2017
2007	2018
2008	2019
2009	2020
2010	2021
2011	2022
2012	2023

Core Experience

Customer satisfaction

diverse perspectives

Health Advisors

Purchased after 2012, 100% exempt in 2016



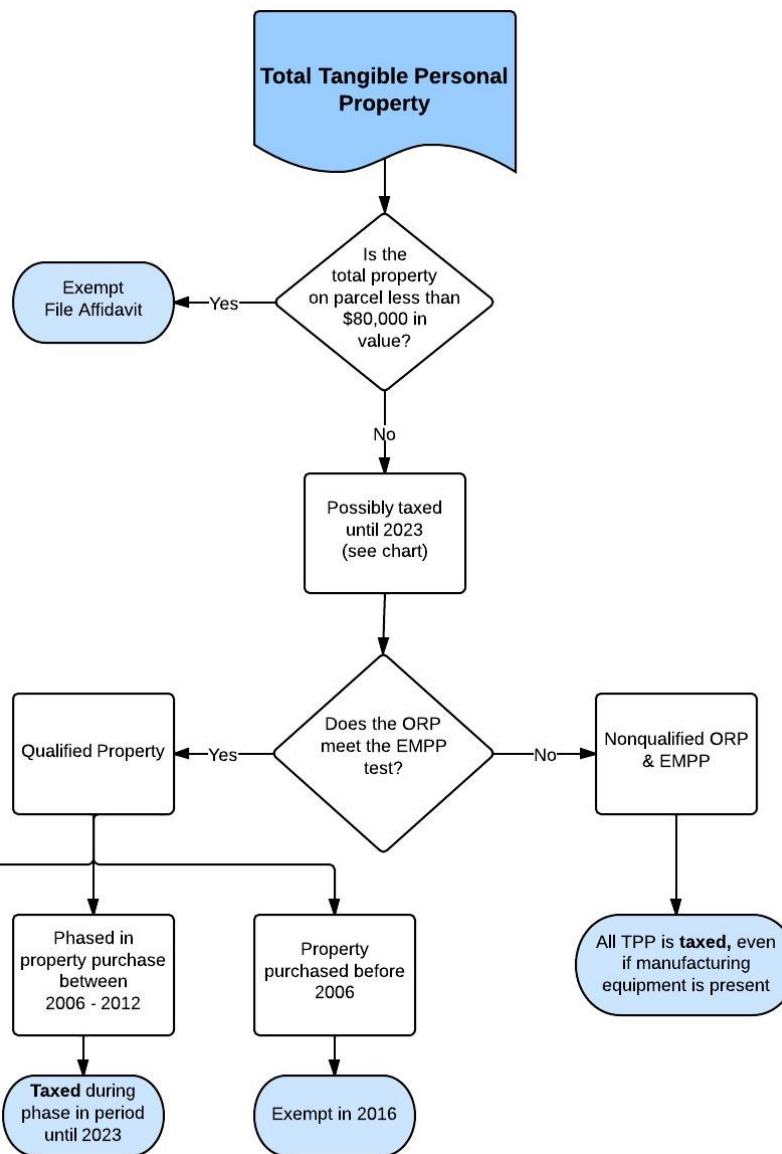
CPAs & Consultants

proactive thoughts

More Service



# Michigan Personal Property Reporting decision chart



More Ideas

More Experience

diverse perspectives

CPAs & Consultants

pro

Corporate Investigator

customer satisfaction

Health Advisors

# What can we expect from the regulators?

- Reclassification of real property to/from personal property

– fixtures as personal property, or vice versa?

- Issue can depend on whether fixtures will help or hurt EMPP calculation.
  - Lighting fixtures vs. pollution control collection equipment?

- Will this give rise to more audits initially?

– Possibly since STC is allowing a 3-year look back

# What should we be looking at now?

- Review capitalization vs. expense policies
- Review lease hold improvements and how they are handled
- Look at the legal parcels your operations reside upon
  - Split or combine?
- Do proforma calculations now to aide in planning to maximize benefits?
- Review classifications of property that is non-EMPP it still matters
  - 12 or 24 mill exemptions
- Review parcels and properties that may have multiple uses

(unique collaboration)

More Ideas

More Experience

diverse perspectives

CPAs & Consultants

proactive thoughts

More Service

Business wisdom delivered.

Corporate Investigator

Satisfaction

Health Advisors

# Questions???

(unique collaboration)

# Disclosure

Business wisdom delivered.

Corporate Investigator

More Ideas

More Experience

diverse perspectives

- Any advice in this communication is not intended or written by Rehmann to be used, and cannot be used by a client or any other person or entity for the purpose of: (I) avoiding penalties that may be imposed on any taxpayer or; (II) promoting, marketing, or recommending to another party any matters addressed herein. The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

CPAs & Consultants

proactive thoughts

More Service



*(unique collaboration)*

*Business wisdom delivered.*

*Corporate Investigator*

*customer satisfaction*

*Health Advisors*

*More Ideas*

*More Experience*

*diverse perspectives*

*CPAs & Consultants*

*proactive thoughts*

*More Service*

# Thank you!

**Mike Bozimowski, JD, MST, CMI**

Phone: 248.579.1100

Email: [mike.bozimowski@rehmann.com](mailto:mike.bozimowski@rehmann.com)

Website: [rehmann.com](http://rehmann.com)