

### PROPERTY—BASED TAX EXEMPTIONS AT RISK

August 20, 2010

If you own and operate a business on industrial property, you most likely have been receiving a partial exemption of personal property taxes and an additional credit against Michigan business tax (MBT) liability for personal property taxes you have paid. These tax incentives were created by the Michigan Legislature in 2007 to encourage business development. Qualified taxpayers are exempted from 24 mills of school taxes. In some cases, the tax savings are substantial. For an industrial business with \$1 million dollars of taxable equipment, the exemption saves them about \$24,000 per year. In addition, the MBT credit provides an additional incentive by offsetting MBT liability by 35% of personal property taxes paid.

The State Tax Commission is filing actions in the Michigan Tax Tribunal to have property reclassified from industrial to commercial in order to eliminate the exemptions and credits for 10,000 of these taxpayers. Although there may be some instances where property has been clearly misclassified as industrial, most cases will revolve around fact-specific analyses and interpretation of the State's vague standards. Rhoades McKee is representing some of these businesses in the Tax Tribunal proceedings. If you have any questions or concerns about how this may affect your business, please contact Scott Steiner at (616) 233-5206 or at [sjsteiner@rhoadesmckee.com](mailto:sjsteiner@rhoadesmckee.com)