



BDO Seidman, LLP
Accountants and Consultants

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Subject:

New Michigan Single Business Tax Credit on Industrial Personal Property

Property Tax Alert

The Michigan legislature created a new Single Business Tax (SBT) credit on industrial personal property for tax years beginning on or after January 1, 2006 and before December 31, 2007. The credit is refundable and is equal to 15% of the property taxes paid during the tax year on industrial personal property.

Overview of the New Industrial Personal Property Tax Credit

In 2005, the Michigan State Legislature amended the Single Business Tax Act to provide for a refundable Single Business Tax credit (SBT) of 15% of the property taxes paid on industrial personal property, for property taxes levied after December 31, 2005. The credit may be taken on the SBT return filed for a tax year beginning on or after January 1, 2006 and before December 31, 2007.

Eligible Property

Eligible property includes all machinery, equipment, furniture, fixtures, dies on industrial parcels, personal property of mining companies valued by the state geologist, and inventories not exempted by law, classified as Industrial Personal Property by Michigan Compiled Laws §211.34c.

Calculating the Credit

The credit is equal to 15% of the industrial personal property taxes levied after December 31, 2005 and paid during the tax year, for tax years beginning on or after January 1, 2006 and before December 31, 2007. Michigan Personal Property Statements are due on or before February 20 of each year. Based on the Personal Property Statement filed in a given calendar year, taxes are then levied two times later that year, July 1 and December 1. **In order to claim a credit on its 2006 SBT return, a calendar year taxpayer will need to have paid its personal property taxes levied on December 1, 2006 on or before December 31, 2006.** A fiscal year taxpayer will need to pay the taxes prior to the end of its fiscal year ending in 2007.

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Material discussed in this tax alert is meant to provide general information and should not be acted on without professional advice tailored to your firm's individual needs.

If a taxpayer does not pay the tax levied on December 1, 2006 by December 31, 2006, it may still claim the credit amount on its 2007 SBT return. However, if a taxpayer did not file its 2006 Personal Property Statement by February 20, 2006, no credit will be allowed for the taxes levied during 2006, no matter when they are paid. Additionally, 2005 tax bills paid after January 1, 2006 will not qualify for the credit, since only taxes levied after December 31, 2005 are eligible for the credit.

The credit against SBT for industrial personal property taxes paid will continue through tax years beginning prior to December 31, 2007. To ensure eligibility for the credit in 2007, a taxpayer must file its Personal Property Statement with the local jurisdiction where the personal property is located no later than February 20, 2007. Since Michigan law does not provide for postmark acceptance of Personal Property Statements, it is necessary that the return be received by the assessor on or before February 20, 2007.

Note that this credit also includes payments made for the Industrial Facility Tax, the Obsolete Properties Tax, the Michigan Strategic Fund in connection with the creation of a Renaissance Zone, and payments made per a contract with an eligible local assessing district that are made by the taxpayer to reimburse all taxing units for property taxes that are also levied on July 1 and December 1.

Credit Is Refundable

Since this is a refundable credit, taxpayers may obtain a refund or credit towards the following year's taxes for the portion of the industrial personal property tax credit that exceeds their SBT tax liability. **Additionally, an entity need not file an SBT return to claim the credit.** If an entity does not file an SBT return, but would otherwise be eligible to receive the credit, it can file a separate form to claim the credit for its 2006 and/or 2007 tax years.

Suggested Next Steps for Michigan Property Taxpayers

1. Verify that the Personal Property Statement was filed timely for 2006, by the February 20, 2006 deadline.
2. Pay any outstanding personal property taxes levied on December 1, 2006 prior to December 31, 2006, if this has not yet been done, or by the end of the taxpayer's fiscal year, if applicable.
3. Make sure to file the 2007 Personal Property Statement by February 20, 2007.
4. Take the appropriate 15% credit on the SBT return filed for tax years beginning on or after January 1, 2006 and before December 31, 2007 (or file the appropriate form for 2006 and 2007 if no SBT return is required).
5. Once the replacement for the SBT is determined, discuss with your state tax provider the impact on this credit for the 2008 tax year.