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## Potential Savings From Industrial Personal Property Assessment Appeals

Industrial personal property owners should consider appealing their personal property assessments. Many industrial personal property assessments exceed levels reflected by recent sale prices. Plant closures and the exodus of manufacturers from Michigan have resulted in used machinery and equipment (M&E) piling up in dealers' warehouses. For the remaining manufacturers, the need to compete has caused many to replace older M&E with more technologically advanced equipment – putting more used M&E on the market. In addition, worldwide competition in manufactured products means that even third-world based manufacturers want state-of-the-art M&E in order to compete. As a result, even those markets have reduced demand for used M&E. All of these factors have combined to cause the value of used M&E to plummet in Michigan.

Michigan personal property assessments are based on State Tax Commission (STC) valuation guidelines. The current STC guidelines were created in 1999 based upon M&E and other personal property sales made over ten years ago. However, as a matter of law, assessments for the 2010 tax year must reflect market reality (usual selling price) as of year-end 2009. Notwithstanding the law, without taxpayer action, many 2010 tax year industrial personal property assessments will be excessive.

Honigman is currently working with industrial personal property appraisers who are compiling evidence to support reductions from personal property assessments based upon the STC's guidelines. Now is the time to consider, and plan for, an appeal of your 2010 tax year industrial personal property assessment.

## Tax Tribunal Filing Fees More Than Double

As part of a recent revision to its rules, the Michigan Tax Tribunal has implemented substantial fee increases effective October 19. Among some of the more noteworthy examples, the petition fee for a property with more than \$500,000 of State Equalized Value (SEV) in dispute increased from \$250 to \$600 and the fee to file a consent judgment increased from \$25 to \$50.

## Taxable Values Will Decrease in 2010

For the first time since the 1994 enactment of Proposal A and its inflation cap, the inflation factor will reduce taxable values because it is less than one. For 2010, excluding "additions" and "transfers," taxable values on existing property must be reduced by 0.3 percent. Of course, for many properties the actual true cash value reduction will likely justify the taxable value to be reduced even more. However, absent an "addition" or "transfer," the "locked in" taxable value reduction reduces the risk of a property tax appeal in 2010 because no matter the outcome of the case, a property's taxable value must be reduced from its 2009 level.

## Michigan Taxing Units Initiate Numerous Personal Property Classification Appeals

Since June, Michigan taxpayers have seen local government units initiate a large number of classification appeals at the Michigan State Tax Commission. As a result of these, and prior efforts, in a relatively brief period there have now been more than 1,000 matters in which the government has sought to change a property's classification. The reason for this substantial reclassification effort is that a Michigan property's classification can determine entitlement to Michigan Business Tax (MBT) credits (based on property taxes paid), as well as a reduced property tax rate. In the usual case, the government seeks to change the property's current and favorable industrial personal property classification. In these cases, taxpayers often are given very little time to respond so it is imperative that taxpayers act quickly when they receive notices of such appeals.

Currently pending at the Michigan Court of Appeals is the first case in which the Court will decide a number of issues relating to the classification of property, which the taxpayer contends is industrial personal property. Honigman is handling that case. It is likely that the case will be decided in early 2010. In the meantime, taxpayers would be well advised to promptly respond to any notice of government action to change the classification of their Michigan personal property.