

October, 2008

Large Taxable Value Increases Projected for Many Properties in 2009

Proposal A capped the annual growth in taxable values for property tax purposes to the lesser of inflation or 5%. In the 14 years since the amendment was passed, the inflation rate has been less than 3% for 10 years and has never exceeded 3.7%. However, our preliminary calculations indicate that the rate could be as high as 4.5% for 2009. It is an ironic twist that will cause taxpayer outcries that under Proposal A for tax year 2009 many properties experiencing a significant reduction in market value during 2008 will have their largest ever increase in taxable value. The State Tax Commission usually announces the relevant inflation rate in the first week of November for the following tax year. We will report the exact 2009 rate in a future alert.

New Michigan Business Tax Credits and Exemptions

The Michigan Business Tax (MBT) became effective January 1, 2008, but it has already been amended 29 separate times. Many of those amendments added new credits and exemptions to serve as incentives for certain businesses.

Film and Digital Media Production Credits

Michigan enacted legislation that is designed to aggressively attract motion picture, television and other digital media productions to the state. The package provides some of the most generous tax credits and incentives in the country. The legislation includes a refundable MBT credit for up to 42% of production costs, a 25% MBT credit for investment in production infrastructure, a 50% MBT credit for on-the-job training expenses, below-market rate loans and free use of state property for production purposes. Eligible projects include the production of motion pictures, documentaries, television series, television miniseries, television specials, interstitial television programming, long-form television, interactive television, music videos, interactive games, video games, certain types of commercials, internet programming,

internet videos, sound recordings, videos, digital animation, interactive websites, trailers and more. In order to benefit from the credits or loans a production company must first enter into an agreement with the Michigan Film Office.

Anchor Business Tax Credits

Tax credits under the MEGA program have been expanded for companies considered to be "Anchors". Anchors are defined as high-tech businesses that influence customers or suppliers of significant size to locate near them. Under the new legislation, Anchors in Michigan will be able to count new jobs created by their eligible customers/suppliers as their own when calculating the MEGA credit. In addition, the Anchors will be able to claim up to 5% of the taxable value of the property owned by eligible customers/suppliers within a 10 mile radius of the Anchor.

Federal Procurement Credits

This legislation provides MBT credits for up to 100% of the compensation related to new jobs created to service certain federal procurement contracts. Taxpayers who enter into contracts with the federal departments of Energy, Homeland Security or Defense are eligible. The project must generate at least 25 new jobs and an agreement with the Michigan Economic Growth Authority (MEGA) is required.

Other Credits and Exemptions

Other credits or exemptions recently added include those targeted to solar panel manufacturers, polycrystalline silicon manufacturers, entertainment complexes, limited dividend housing associations, general contractors and private equity funds.

Unclaimed Property Reports Due November 1

Unclaimed Property Reports (Form 2011) are due November 1 and must report and remit all escheatable unclaimed property for the year ending on the immediately preceding June 30. Escheatable unclaimed property is broadly defined to include all property held for another,

generally for more than 5 years, including any income or increment derived from the property, less any lawful charges. Examples include: unclaimed security or cleaning deposits, gift certificates, certain gift cards, credit memos, unpaid wages, outstanding travelers checks, money orders, checks, drafts, savings accounts, pre-paid contracts and property held in a safe deposit box or repository. Please call us if you need assistance determining your compliance responsibilities.

2008 Michigan Tax Conference, November 5-6, Rock Financial Showplace, Novi

You may want to attend the second annual Michigan Tax Conference. The two-day program is the most comprehensive state tax conference in Michigan and includes presentations by several Honigman tax experts. The program is co-hosted by the Michigan Association of CPAs, The Taxation Section of the Michigan State Bar and the Michigan Department of Treasury. More than 650 participants attended last year's event. A sampling of conference topics and Honigman presenters includes:

Nexus - June Summers Haas
Unitary Reporting – Lynn Gandhi
Constitutional Issues with the MBT – Patrick Van Tiflin
Real vs Personal Property – Stewart Mandell
MBT credits - Mark Hilpert
Mich. Unemployment Insurance – Alan Valade

For more information on the conference visit the Honigman website at www.honigman.com and click on "events" or click here [Honigman Events - 2008 Michigan Tax Conference](#).

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