

December 4, 2009

## MICHIGAN PROPERTY TAX ALERT

On Tuesday December 1, the Michigan Department of Treasury ("MIDOT") informed the assessing community that it will file up to 10,000 real and personal property classification appeals with the Michigan Tax Tribunal by December 31, 2009. The appeals will request that real and personal property classified as industrial be reclassified as commercial. While in the past a few appeals may have been filed, the volume increased exponentially this year due to the Michigan Business Tax Industrial Personal Property Tax Credit and the millage reduction afforded industrial personal property. Changing personal property classification from industrial to commercial creates a tax increase of 100% or more. Property owners should take action immediately in order to protect their rights to the tax reduction intended by the Michigan legislature.

Using the specific language of the Michigan statute, it has been argued that personal property should be classified in the same manner as the real property parcel on which it resides. In other words the real and personal property classifications should match. That is, industrial personal on an industrial real parcel; commercial personal on a commercial real parcel. Where there is a perceived error, i.e. real property classified as industrial being used for commercial purposes, property owners argue the personal property should be also be classified as industrial. And the reverse is also true and just as incorrect, real property classified as industrial being used for commercial purposes. In those instances, a property owner may be receiving a benefit that may well be taken away from them by the MIDOT through an appeal at Michigan Tax Tribunal.

Up until this point, the State Tax Commission's (STC) opinion of a property classification has controlled the final outcome. However, FOR PROPERTY TAX CLASSIFICATION PURPOSES, no independent authority has clearly defined what is a commercial activity and what is an industrial activity. Clearly, there are instances where the STC's view of a property's classification is open to debate. The primary question that these appeals will answer is, "What is an Industrial Activity for Classification Purposes?" The answer to that question will determine the classification of the real AND personal property for that parcel. The appeals filed by the MIDOT may be disputed by the property owner. When the property owner is notified of the appeal they have 28 days to respond. Missing the response time will create a default situation.

Paradigm's Michigan office has assisted many taxpayers in appealing their personal property classification, resulting in significant tax savings. We stand ready to assist you in defending your right to the proper credit and millage reductions to which you are entitled. Please contact us immediately to discuss our approach and methodology that leads to the best answer for your company.

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