

Personal Property Tax Reform Proposal

Purpose

To significantly improve Michigan's business environment, competitiveness, and conditions for job growth and investment, while protecting local units that rely on the personal property tax (PPT).

Problems with the PPT

- Punishes companies for making capital investments. Particularly hard on manufacturers, who rely on expensive tools, equipment, and other personal property (PP) in their operations.
- Disproportionately impacts highly mobile companies, creating a significant disincentive to invest and create jobs in Michigan. These companies tend to pay high wages and produce substantial spin-off jobs and investment.
- Imposes high compliance and administrative costs on businesses and local units.
- Makes Michigan an outlier among the states with which it competes.

Main Components of Reform Proposal

- Exempts all "new" eligible manufacturing PP beginning in 2016. ("New" manufacturing PP includes all eligible manufacturing PP placed into service on and after 1/1/12.)
- Exempts all of a taxpayer's industrial and commercial personal property within the local tax collecting unit, so long as the combined taxable value of such property within the unit is less than \$40,000. **This change, alone, will fully exempt the majority of all commercial and industrial parcels.**
- Phases out tax on existing eligible manufacturing PP over 7 years, starting in 2016.
- Establishes reimbursement mechanism to protect locals.