

Small Business Property Tax Exemption

For a number of years, a Form 5076 has been available to Michigan businesses to claim an exemption from personal property taxes for the filing year if the value of their personal property was below a certain value.

Form 5076 is due by February 20th each year, which is the same deadline for those to report who are not exempt from personal property tax.

Originally, the Form 5076 had to be filed every year for eligible businesses to keep the exemption. This has recently been updated so that certain businesses need only file the Form 5076 a single time, and the exemption will remain in effect indefinitely until the company no longer qualifies. The rules are as follows:

- Taxpayers with less than \$80,000 of True Cash Value (TCV) of personal property are exempt from personal property tax in Michigan, and need to file a Form 5076 only once to claim an exemption from personal property tax. The exemption remains valid for so long as the company's TCV of personal property assets remains below \$80,000.
- Taxpayers with less than \$180,000 of TCV of personal property are also exempt from personal property tax in Michigan; however, the Form 5076 must be filed every year for the exemption to remain valid.

Essential Services Assessment (ESA) for Michigan manufacturers

In addition to exemptions from personal property tax for certain small businesses, Michigan manufacturers are eligible to elect in to the Essential Services Assessment rather than pay personal property taxes as assessed by their local authority. The Essential Services Assessment generally offers a lower tax rate than what would otherwise be assessed on personal property.

The ESA is a long-standing program, but was updated recently to reduce the reporting burden of Michigan manufacturers. Previously, a manufacturer had to elect in to the ESA program every year by filing a Form 5278 by February 20th of that year. The ESA tax return is then due by August 15th of the tax year.

Beginning with the 2024 tax year, a manufacturer carries over their election into the ESA program year-over-year until their personal property become ineligible for the exemption. This means that a manufacturer who filed an ESA tax return for the immediately previous tax year no longer has to file a Form 5278 to elect in to the ESA program for the current year. Therefore, a company with a valid ESA election **no longer has a personal property tax filing by February 20th**, and must only file a single ESA tax return by August 15th.

This is a considerable change for Michigan manufacturers, as it effectively cuts their personal property tax filing requirements in half if they have already elected in to the Essential Services Assessment. For eligible manufacturers who have not previously elected in to the ESA program, they must still file a Form 5278 by February 20th to establish the initial election.