

TAX EXEMPTIONS AVAILABLE FOR MICHIGAN COMPANIES

Various sales and property tax exemptions in Michigan help reduce the tax liability for companies. Available tax exemptions are outlined below. Businesses should discuss these tax exemptions with their tax preparer, CPA, or tax attorney, as needed.

SALES TAX EXEMPTION FOR INDUSTRIAL PROCESSING

Certain types of tangible property used by manufacturers directly in the industrial process are exempt from Michigan's sales and use tax. Eligible exempt property includes machinery, equipment and energy used in an industrial process. Industrial processing includes production or assembly, research and development, engineering, remanufacturing and storage of in-process materials, among other activities.

Businesses must file an exemption certificate with the seller of the tangible personal property—not the Michigan Department of Treasury—in order to claim the sales tax exemption. Michigan Department of Treasury Form 3372 is the exemption certificate used in this process. The seller needs only one of these forms per client, and both parties should retain it for future reference. The exemption Form 3372 may be used for a blanket period of four (4) years or may be used for one-time purchases. Details on the eligibility standards for the exemption provisions can be found in the Michigan Department of Treasury **Revenue Administrative Bulletin (RAB) 2002-15**.

Treasury forms and revenue administrative bulletins are available at www.michigan.gov/taxes.

SALES TAX EXEMPTION FOR ENERGY USED IN INDUSTRIAL PROCESSING

Energy—for example, natural gas, electricity and propane—used directly in the manufacturing process is exempt from the sales tax. Anytime a sales tax exemption is claimed for energy used directly in manufacturing, the company (buyer) must have that specific energy usage metered separately or must have a clearly drawn-up plan with the energy provider (seller) to separate the exempt versus the non-exempt energy usage. Claims for the exemption for energy used directly in manufacturing is subject to audit and must be acceptable to the Michigan

Department of Treasury. Should there be any problem, the seller is ultimately responsible for the tax. Plans establishing exempt portions of manufacturing energy usage may be submitted to the Treasury Department with a request for a private letter ruling on the exemption claim. A letter should be submitted to the agency should there be any question or doubt about the exemption eligibility. Such requests should be addressed to the following:

Technical Services Division
Michigan Department of Treasury
Treasury Building
Lansing, MI 48922

The telephone number for the Technical Services Division is 517.636.4230.

Again, the Michigan Department of Treasury's rules for eligibility for a sales tax exemption is outlined in **Revenue Administrative Bulletin (RAB) 2002-15** and is recommended reading for companies that have questions about the exemption standards.

Most energy providers have staff that can assist with specific questions regarding exemption claims for energy usage.

SALES TAX REFUNDS

Manufacturers that have unnecessarily paid sales tax on eligible, exempt energy usage in the industrial process may request a refund through their energy provider. The lookback period for a sales tax refund is four (4) years and the industrial usage for energy must be appropriately documented and **Exemption Form 3372** must be completed for the time period in question. Companies should work directly with their energy providers in requesting a refund.

POLLUTION CONTROL TAX EXEMPTIONS

Air and industrial water pollution control facilities are exempt from sales, use, and property taxes in Michigan. "Facility" means any machinery, equipment, structure, any part, or accessory used for the primary purpose of controlling or disposing air or industrial water pollution. The Michigan Department of Environmental Quality (DEQ) is responsible for determining what property is eligible.

There are two separate applications for air and water pollution control, which should be submitted to the Michigan Department of Treasury for processing. As part of the process, the DEQ will review the application submitted to the Michigan Department of Treasury and local governmental units will also receive a copy of the application. Water pollution facilities should use **Form 891** and air pollution facilities should use **Form 3828**. This certification process is used for both the sales tax and property tax exemptions. The exemptions do not take effect until approved by the state agency.

PROPERTY TAX EXEMPTION FOR SPECIAL TOOLING

Michigan exempts special tooling from all property taxes. "Special Tooling" includes tools, dies, jigs, fixtures and patterns, which are used to manufacture a product which could not be used to manufacture another product without substantial modification to the device.

Businesses may claim the special tooling exemption on their personal property tax statement filed with the local property tax assessor each year.

FOR MORE INFORMATION

Firms needing additional information about tax exemptions may contact the Michigan Business One Stop Customer Assistance Center toll-free at 887.766.1779.