



# ESA Topics:

## Calculation of the ESA Specific Tax

The calculation of the ESA specific tax is relatively simple. MCL 211.1055 indicates:

- (1) Beginning January 1, 2016, the state essential services assessment is levied on all eligible personal property as provided in this section.
- (2) The assessment under this section is a state specific tax on the eligible personal property owned by, leased to, or in the possession of an eligible claimant on December 31 of the year immediately preceding the assessment year and shall be calculated as follows:
  - (a) For eligible personal property acquired by the first owner in a year 1 to 5 years before the assessment year, multiply the acquisition cost of the eligible personal property by 2.4 mills.
  - (b) For eligible personal property acquired by the first owner in a year 6 to 10 years before the assessment year, multiply the acquisition cost of the eligible personal property by 1.25 mills.
  - (c) For eligible personal property acquired by the first owner in a year more than 10 years before the assessment year, multiply the acquisition cost of the eligible personal property by 0.9 mills.

We are frequently asked if there is any way to reduce the ESA Specific Tax payment.

The acquisition cost reported is reduced for personal property subject to IFT Certificates that were in effect before January 1, 2013. Specifically, the eligible personal property that is exempt under MCL 211.9m or MCL 211.9n will pay the ESA Specific Tax at  $\frac{1}{2}$  the Fair Market Value at the time of acquisition by the first owner (Acquisition Cost) until that IFT Certificate expires.

Personal Property located in a Renaissance Zone is 100% exempt from ESA until the three (3) years immediately preceding the expiration of the exemption of that personal property. During the last 3 years, the acquisition cost of the personal property in a Renaissance Zone is multiplied by the percentage reduction as outlined by MCL 125.2689.

MCL 211.1071 provides that the Michigan Strategic Fund Board (MSF) may adopt a resolution to exempt from the assessment eligible personal property (Alternative ESA). Like ESA, the Alternative Essential Services Assessment is a state-specific tax on the eligible personal property owned by, leased to, or in the possession of an eligible claimant

on December 31 of the year immediately preceding the assessment year. An eligible claimant may be exempt from ESA and would instead qualify for the Alternative Essential Services Assessment if the board of the Michigan Strategic Fund adopts a resolution to exempt the eligible claimant from ESA and instead states the eligible personal property is subject to assessment under the Alternative Essential Services Assessment.

The Alternative Essential Services Assessment is calculated by multiplying the acquisition cost of the eligible personal property by the following millage based upon the year the property was placed into service:

- Multiply the acquisition cost by 1.2 mills if the property was placed into service 1 to 5 years before the assessment year
- Multiply the acquisition cost by 0.625 mills if the property was placed into service 6 to 10 years before the assessment year
- Multiply the acquisition cost by 0.45 mills if the property was placed into service more than 10 years before the assessment year

An eligible claimant must present a business plan or demonstrate that a minimum of \$25,000,000.00 will be invested in additional eligible personal property in this state during the duration of the written agreement.

Statute also requires that the MSF Board consider the following criteria when approving an exemption:

- (a) Out-of-state competition.
- (b) Net-positive return to this state.
- (c) Level of investment made by the eligible claimant.
- (d) Business diversification.
- (e) Reuse of existing facilities.
- (f) Near-term job creation or significant job retention as a result of the investment made in eligible personal property.
- (g) Strong links to Michigan suppliers.
- (h) Whether the project is in a local unit of government that contains an eligible distressed area as that term is defined in section 11 of the state housing development authority act of 1966, 1966 PA 346, MCL 125.1411.

For additional ESA information, links to statutes, forms, and to sign up for the ESA Email List, please visit [www.michigan.gov/esa](http://www.michigan.gov/esa).

This information constitutes an interpretation of one or more statutes administered by the Bureau of Local Government Services and not legal advice. As the interpretation reached in these examples are limited to the facts provided, any variation in those facts might result in a different interpretation being reached. Therefore, a taxpayer may wish to consult counsel before proceeding in this matter.