

ESA Topics: Taxpayer Letters



Throughout the year, eligible claimants of the Eligible Manufacturing Personal Property (EMPP) exemption may receive correspondence from the Department of Treasury regarding their EMPP exemption and their Essential Services Assessment (ESA) statement. The Department utilizes these letters to inform taxpayers of any changes made to their ESA statement and remind claimants of any statutory filing requirements that must be completed in order to retain the EMPP exemption.

Each of the letters detailed below is mailed via United States mail to the eligible claimant. In addition to this hard copy, a PDF copy of each letter is immediately posted to the eligible claimant's Michigan Treasury Online (MTO) account and a notification that the letter is available is sent to the email address in Treasury records.

Copies of a number of taxpayer letters are also sent to the assessor of the local unit in which the EMPP exemption has been claimed. This copy is sent for informational purposes, to alert the assessor to any changes that may require action on the part of the local unit of government.

If a notice from the Department of Treasury is received, eligible claimants are advised to review their ESA statement thoroughly. The below information can be used as reference to help determine what error or change generated the letter. However, each filing is unique and may vary. This information reflects the most common errors or changes that would generate each explanation, but not all.

Combined Document (Form 5278) Reporting Error:

This notice is sent to eligible claimants if, upon initial generation of an ESA statement, the Department determines that an error was reported on the Combined Document (Form 5278). These errors are corrected by the Department and are reflected on the ESA Statement as it is generated and posted to the eligible claimant's MTO account. No other notice of the changes reported in this letter is provided to eligible claimants or assessors unless the claimant attempts to re-submit the inaccurate information through MTO or e-file.

A Combined Document (Form 5278) Reporting Error notice is most commonly issued for one or more of the following reasons:

“Certificate number is not valid”

The IFT (P.A. 198) or P.A 328 (New Personal Property) certificate reported in Section A, Part 3 of the Combined Document (Form 5278) does not match the information the Department has on file. This may occur for several reasons:

1. The certificate number reported has expired and is not eligible to be extended under MCL 211.561a (IFT) or MCL 211.9f(8) (P.A. 328).
 - As a reminder, once all property subject to an “extended” IFT or P.A. 328 certificate is eligible for exemption under MCL 211.9m or MCL 211.9n, the certificate is no longer eligible for extension and allowed to expire.
 - If acquisition costs are reported only in years more than ten years prior to the current assessment year or after 2012, then all property is eligible for exemption under 9m or 9n and the certificate is allowed to expire.
2. The certificate was originally approved for eligible manufacturing personal property located in a local unit of government other than the one reported on the Combined Document (Form 5278).
3. A typographical error preventing the certificate number from being validated against the Department’s records.
4. The certificate number was not formatted correctly or in any way does not match the certificate number assigned by the State Tax Commission (STC) when it was originally approved.

Most of the errors above may be resolved by making sure that the certificate number reported on the Combined Document (Form 5278) – and later, on the certified ESA statement – matches the certificate number approved by the STC. Some reminders:

1. IFT certificates are assigned in a YYYY-###[a] format where the YYYY generally represents the four-digit year the certificate became effective and ### represents a three digit number specific to the claimant. A small number of certificates include a letter following the seven numerals.
2. P.A. 328 certificates are assigned in a ###-YYYY format where ### represents a unique three digit number and YYYY represents the four-digit year the certificate became effective.

Valid certificates that have been reported inaccurately on the Combined Document (Form 5278) may be corrected by the taxpayer in MTO by re-entering the valid certificate number and indicating the corresponding exemption. After amending the exemption and/or certificate number in MTO, the electronic ESA statement will be updated with the new information. Inaccurate information reported on the electronic statement will be reported in a Summary of Changes notice.

IFT certificate information may be attained through a link on the ESA website, www.michigan.gov/ESA. If you have questions regarding your exemption(s), please call the Tax Exemption Unit at 517-373-2408.

“Year claimed does not qualify under MCL 211.9m or MCL 211.9n”

This error indicates that acquisition costs were reported in Section B, Part 3 of Form 5278 for the “middle” or “gap” years (for 2019, these include 2009-2012; for 2020 these include 2010-2012; etc.) despite being ineligible for the exemption in the current year. The system has removed the acquisition cost(s) reported by the taxpayer. In most cases, these removed acquisition costs correspond to personal property that should have been reported in Part 2 of Form 5278 and assessed and taxed at the local level.

Only property that is Qualified New Personal Property or Qualified Previously Existing Personal Property may be reported in Part 3 of Form 5278. Qualified New Personal Property or Qualified Previously Existing Personal Property includes:

1. Eligible manufacturing personal property that was placed in service on or after December 31, 2012 (MCL 211.9m),
2. Eligible manufacturing personal property that was placed in service more than ten years before the current calendar year,
3. Eligible manufacturing personal property subject to an IFT certificate, approved prior to December 31, 2012, that has been extended beyond its original expiration date under MCL 207.561a (rare).
4. Eligible manufacturing personal property subject to a P.A. 328 certificate that has been extended beyond its original expiration date under MCL 211.9f(8) (rare).

Any eligible manufacturing personal property first placed in service in the “middle” or “gap” years (for 2019, these include 2009-2012; for 2020 these

include 2010-2012; etc.) and not subject to an extended P.A. 328 or IFT certificate must be reported in Part 2 of the Form 5278 only, not Part 3.

As a reminder, only IFT certificates that went into effect before December 31, 2012; have passed the expiration date as originally approved by the State Tax Commission; and have eligible manufacturing personal property to report in years that are not yet eligible for exemption under MCL 211.9m or MCL 211.9n are eligible for extension under MCL 211.561a. For 2019, an extended IFT certificate will meet these requirements:

1. The IFT certificate was in effect prior to December 31, 2012;
2. The expiration date of the original certificate approved by the State Tax Commission was in 2013, 2014, 2015, 2016, 2017, or 2018; and
3. Some or all property was first placed in service in 2009, 2010, 2011, or 2012.

Assessors receiving a copy of the Combined Document (Form 5278) Reporting Error that includes this comment, should verify that personal property was reported for the affected years in Part 2 of Form 5278 and have been accurately assessed on the local assessment roll. The State Tax Commission has issued guidance in its Assessor's Guide to Eligible Manufacturing Personal Property Tax Exemption and ESA, indicating that "the assessor should immediately file a MCL 211.154 petition to return the [years removed from the ESA statement] to the Ad Valorem roll" (page 18).

"The Renaissance Zone claimed is not valid"

If there is no Renaissance Zone in the local unit in which the property was reported, the Renaissance Zone will be removed from the parcel and the ESA liability recalculated appropriately

Each of these errors may be addressed independently by the eligible claimant when reviewing the electronic ESA Statement available through the MTO portal or by correcting the information when the certified statement is e-filed. To avoid possible late payment penalty resulting from miscalculation of ESA liability, eligible claimants are encouraged to verify that all information is reported correctly prior to certifying their statement.

Except for filing MCL 211.154 petitions for ineligible years removed, the assessor does not have the ability to change EMPP information once the information reported on the Combined Document (Form 5278) is transmitted to the Department.

Statement/Payment Reminder

This correspondence is emailed and mailed to all eligible claimants who have not yet electronically certified and/or made electronic payment for their entire ESA liability. The Department sends the notice twice annually – in mid-July and early August. This notice informs eligible taxpayers of the actions necessary to maintain the EMPP exemption.

Summary of Changes

The Department issues a Summary of Changes notice when parcel information, as initially reported on the Combined Document (Form 5278) or later updated through MTO or e-file, has been modified by the Department or by the eligible claimant. Taxpayers are advised to review the letter and their ESA Statement to ensure that the modifications noted accurately reflect the parcel information.

A copy of the Summary of Changes letter is also sent to the assessor of the local unit(s) of government in which EMPP exemption has been claimed. Although the assessor is not able to make changes to the eligible claimant's ESA statement, assessors are encouraged to review the Summary of Changes to determine if property has been removed from the ESA Statement. Assessors are reminded that if a parcel is removed from the ESA Statement, the Department will issue an Order of Rescission - filing of a MCL 211.154 petition is not advised.

If changes are made to the statement after August 15th and the liability subsequently increases, the outstanding liability including any late payment penalties that may apply, must be paid by April 15th of the year immediately following the assessment year to avoid the rescission of the EMPP exemption.

If the liability decreases due to changes made to the return and the liability has already been paid, refunds will be sent no earlier than September 15th.

A Summary of Changes letter may be issued for the following reasons:

“Department has removed parcel from return as requested by taxpayer”

An eligible claimant may request that a parcel be removed. Such a request may be received by the Department for many reasons including, but not limited to the original Combined Document (Form 5278) being filed in error or the property being reported on an incorrect parcel. For further

explanation, it would be best to contact the person in charge of certifying the electronic statement.

“Amended Parcel ID as shown in As Filed field does not match Department records. Department has used original Parcel ID as listed above”

If a taxpayer alters their personal property parcel number in MTO or through e-file and the parcel number does not match Department records it is changed back to the original parcel number.

“Department has accepted added parcel as requested by Taxpayer”

The parcel may have been previously removed and then added to the ESA Statement again.

“Department has rejected the addition of this parcel as filed by Taxpayer”

If a Combined Document was not timely delivered to the local unit of government in which the personal property is located, or if the EMPP claim was denied by the assessor or the March Board of Review, the Department has no authority to accept the addition of the parcel to the ESA statement.

“Renaissance Zone information provided does not match the Department’s records”

If there is no Renaissance Zone in the local unit in which the property is located, the Department will remove the Renaissance Zone information and the ESA liability will be recalculated to remove the tax benefit provided to EMPP located in Renaissance Zones.

“PA 328 information provided does not match the Department’s records”

The P.A. 328 certificate number or date does not match the Department’s records, please verify that the information reported on the Combined Document was correct. Corrections may be made through MTO or via e-file.

“IFT information provided does not match the Department’s records”

The IFT certificate number or date does not match the Department’s records, please verify that the information reported on the Combined

Document was correct. Corrections may be made through MTO or via e-file.

“MSF information provided does not match the Department’s records”

The MSF certificate number or date does not match the Department’s records, please verify that the information reported on the Combined Document was correct. Corrections may be made through MTO or via e-file.

“Year claimed does not qualify for ESA based on return filed”

This generally occurs when a taxpayer reports value in years that are not exempt under MCL 211.9m or 9n for a parcel that is not subject to an extended IFT or an extended 328 certificate. The acquisition costs will be removed from the return.

For the 2019 assessment year the non-exempt years are 2009-2012, for 2020 the non-exempt years are 2010-2012, and so on until 2023 when all years will be under MCL 211.9m and 9n.

It is a good idea to verify that the removed property was reported in Part 2 of the Combined Document (Form 5278) and was therefore assessed and taxed at the local level.

“Computation recalculated due to adjustments on return”

Changes were made to the statement by the Department or the taxpayer. These changes have resulted in the recalculation of ESA liability.

“Penalty computation corrected by Department of Treasury”

The Department will adjust the penalty if it is determined that the penalty was calculated incorrectly by the eligible claimant.

Notice of Account Status letters

The State Essential Services Assessment Act requires that the Department issue a notice, no later than September 15th, if the Department has not yet received a certified statement, electronic payment of full ESA liability, or both from an eligible claimant by

the August 15th filing deadline. This Notice of Account Status explains that, per statute, a 3% late payment penalty is calculated against any outstanding ESA liability for each month or part of a month after August 15th that payment has not been paid in full – to a maximum of 27%. The Notice further advises eligible claimants to electronically certify their statement and electronically pay their ESA liability in full, including any late payment penalty, by April 15th of the year immediately following the assessment year in order to avoid rescission of the EMPP exemption.

Should ESA liability, including any applicable late payment penalty, not be electronically paid in full by April 15th of the year immediately following the assessment year, the Department is required to rescind the EMPP exemption on any parcel not paid in full. This order must be issued no later than the First Monday in June of the year immediately following the assessment year. If the EMPP exemption is rescinded, the local unit of government is required to return the parcel(s) to the local tax roll and issue a tax bill for local taxes.

Notice of Intent to Rescind

Full payment of ESA liability and late payment penalty must be received electronically by the Department no later than April 15th of the year immediately following the assessment year. If Department records indicate that an eligible claimant failed to submit a certified statement, payment of ESA liability, including late payment penalty, or both by April 15th of the year immediately following the assessment year, the eligible claimant will receive notice of the Department's intent to rescind the EMPP exemption on affected parcels. Eligible claimants have 14 days from the date of the Notice of Intent to Rescind to submit documentation of any payments submitted electronically prior to the April 15th deadline. Because the Department is statutorily prohibited from accepting checks for payment of ESA liability, issuance of a check prior to the April 15th deadline will not constitute documentation of timely payment. If no documentation of payment is received, the Department of Treasury is required to rescind the EMPP exemption on any parcel for which full payment of ESA liability and late payment penalty, if applicable, has not been received in full. The Department is required to issue this order no later than the first Monday in June of the year immediately following the assessment year.

The Department is also required to report to the State Tax Commission, all parcels subject to an IFT certificate or PA 328 certificate that has been extended under MCL 207.561a or MCL 211.9f(8) as the result of claiming the EMPP exemption. Upon the Department's request, the State Tax Commission is required to rescind the certificate no later than the first Monday in June of the year immediately following the assessment year.

The Department has no legal authority to accept late payments unless ordered to do so by the Michigan Tax Tribunal or a court order. Attempted payments submitted after April 15th of the year immediately following the assessment year will not be applied to the claimant's ESA account and will be refunded immediately.

Eligible Manufacturing Personal Property Exemption - Order of Rescission

This is an official order issued by the Department of Treasury rescinding the EMPP exemption on named parcels. An order of rescission may be issued for multiple reasons, but most commonly:

1. If the taxpayer requests the Department to rescind the EMPP exemption for a given parcel.
2. If the taxpayer did not timely certify their statement and/or make a full payment of the ESA liability, including late payment penalty.
3. If the property associated with the parcel is determined by the Department not to be Eligible Manufacturing Personal Property (EMPP).
4. If the taxpayer is a leasing company and is not eligible to claim the EMPP exemption.
5. The taxpayer who filed the Form 5278 is not the same taxpayer who certified the statement.

Upon issuance of an Order of Rescission, the local unit assessor must remove the exemption from the parcel(s) and return it to the local roll.

Within 30 days of the Order of Rescission, the claimant is required by statute to submit a personal property statement (Form 632) to the local unit assessor.

Within 60 days of the Order of Rescission, the treasurer of the local tax collecting unit is required by statute to issue amended tax bill of any taxes, including penalty and interest, which are owed as a result of the rescission of the EMPP exemption.

Refunds of partial payments of ESA liability that were made to the Department of Treasury on a rescinded parcel will be processed no earlier than two weeks after issuance of the Order of Rescission.

After an Order of Rescission has been issued, the Department of Treasury no longer has the legal authority to accept payments or to withdraw the order.

A claimant may appeal an Order of Rescission with the Michigan Tax Tribunal (MTT) no later than December 31st of the year in which the order was issued. Necessary forms for an appeal can be found on the MTT website at www.michigan.gov/taxtrib. Questions relating to an appeal can be directed to the MTT at 517-335-9760.

If you have any further questions or concerns please email the ESA unit at ESAQuestions@michigan.gov or call the helpline at 517-241-0310.

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.